

May '49.



COLLECTED BY THE NEW YORK HISTORICAL SOCIETY  
See p. 71

CHARLES D. COOPER, CAPTAIN & CHIEF

VICTORY OVER THE IRISH FRIGATE "IRVING". DECEMBER 10, 1803.

110

PRIVATE AND SELLING

# DUNN'S REVIEW

MAY 1949  
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A note of appreciation for hospitality enjoyed; one in acknowledgment of a gift or favor; a letter that marks a birthday or anniversary, or conveys congratulations on an advancement earned or honors well won—all single you out for your thoughtfulness and return a measure of gratitude far in excess of the effort expended. • Paper plays an important part in all such notes and letters, for by its character and quality is the compliment fully paid. For all these occasions, we would nominate papers by Crane, for the character of Crane's was fixed at the establishment of our first mill in 1801; the quality of Crane's has been derived all these years from the choicest of materials from which paper can be made—cotton and linen fibres. We invite you to write and to write often—to enjoy the satisfaction that well-written letters on Crane's always afford.

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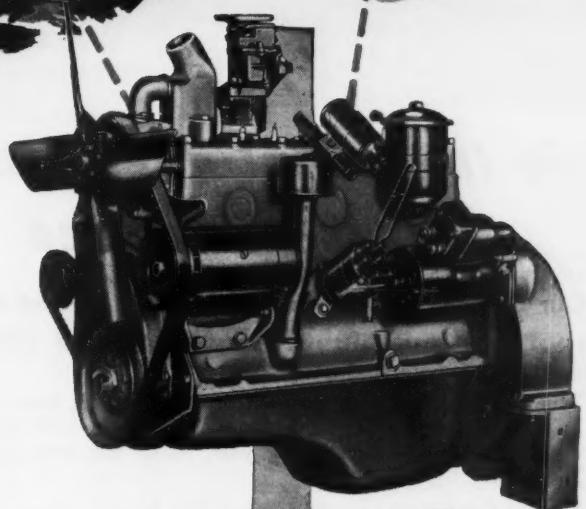


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**Our confidential service will help you find the right spot for your plant...no charge or obligation**

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Send a list of your requirements in detail and preferred location to Mr. A. B. Johnson, Vice President, Erie Railroad, Room 505, Midland Building, Cleveland 15, Ohio. Your letter will be held in strict confidence.

# Erie Railroad



**SERVING THE HEART OF INDUSTRIAL AMERICA**

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# Cover

## THE U. S. FRIGATE "CONSTITUTION" VICTORIOUS OVER THE BRITISH FRIGATE "JAVA," DECEMBER 29, 1812

JAMES MADISON was President of the United States in 1812. For some years prior to that time Jefferson as President had exerted the full power of his office and genius to keeping a young and struggling nation out of war. But the continued seizure and search of American merchant ships and seamen by Great Britain, despite all protests, finally resulted in a Declaration of War against Great Britain by the Congress in June of 1812.

Fifteen years before this, in October 1797, at Boston, the U. S. Frigate, *Constitution* was launched. The part she later played in American naval history is hallowed by the memory of her gallant engagements, her fighting men, and her able command.

On December 29, 1812, in her encounter with the *Java* off the Brazilian coast under the command of Captain Bainbridge, her superior gunnery and maneuvering in one hour's time reduced her adversary to splintered and burning wreckage. Only a few short months before off the Grand Banks in the North Atlantic she subdued and captured the crew of the *Guerrière* while under the command of Captain Isaac Hull. "Old Ironsides" as she was affectionately named fought her last sea battle of the War of 1812 with the *Cyane* and *Levant* off Madeira under Captain Charles Stewart—two months after the signing of the treaty of peace at Ghent, Belgium, on December 24, 1814.

Reconditioned in 1930, to-day "Old Ironsides" in the quiet, sheltered waters of Boston Harbor gently rocks to and fro like the tired old lady she is, content to think in the past, content to let younger ships try to match the glory of her greatness.

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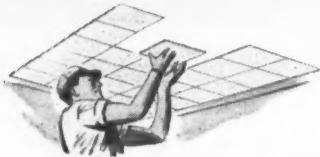
# "I'm Sick of Being Called 'Miss Mistake!'"



*"I'm the Gal  
who objects!"*



"Even the boss has started in calling me 'Miss Mistake'... and I'm not! If this office just wasn't so noisy, I could concentrate and do accurate work... getting things right the first time, too! But this continuous clicking, ticking, humming, and talking build up to such a racket that... well, a girl can't even *think* straight, much less *work* efficiently! And all because of this distracting noise! What they need around here is some peaceful, working *quiet*. Then I could do a good day's work without errors and overtime hours."



*"I'm the Chap  
who can stop it!"*



"Take it easy, Miss M. Don't boil over until your boss has called me in for a chat. Perhaps he doesn't know how easy it is for me to eliminate harmful office noise, to Sound Condition an office at night while the employees are at home. Why *me*, especially?

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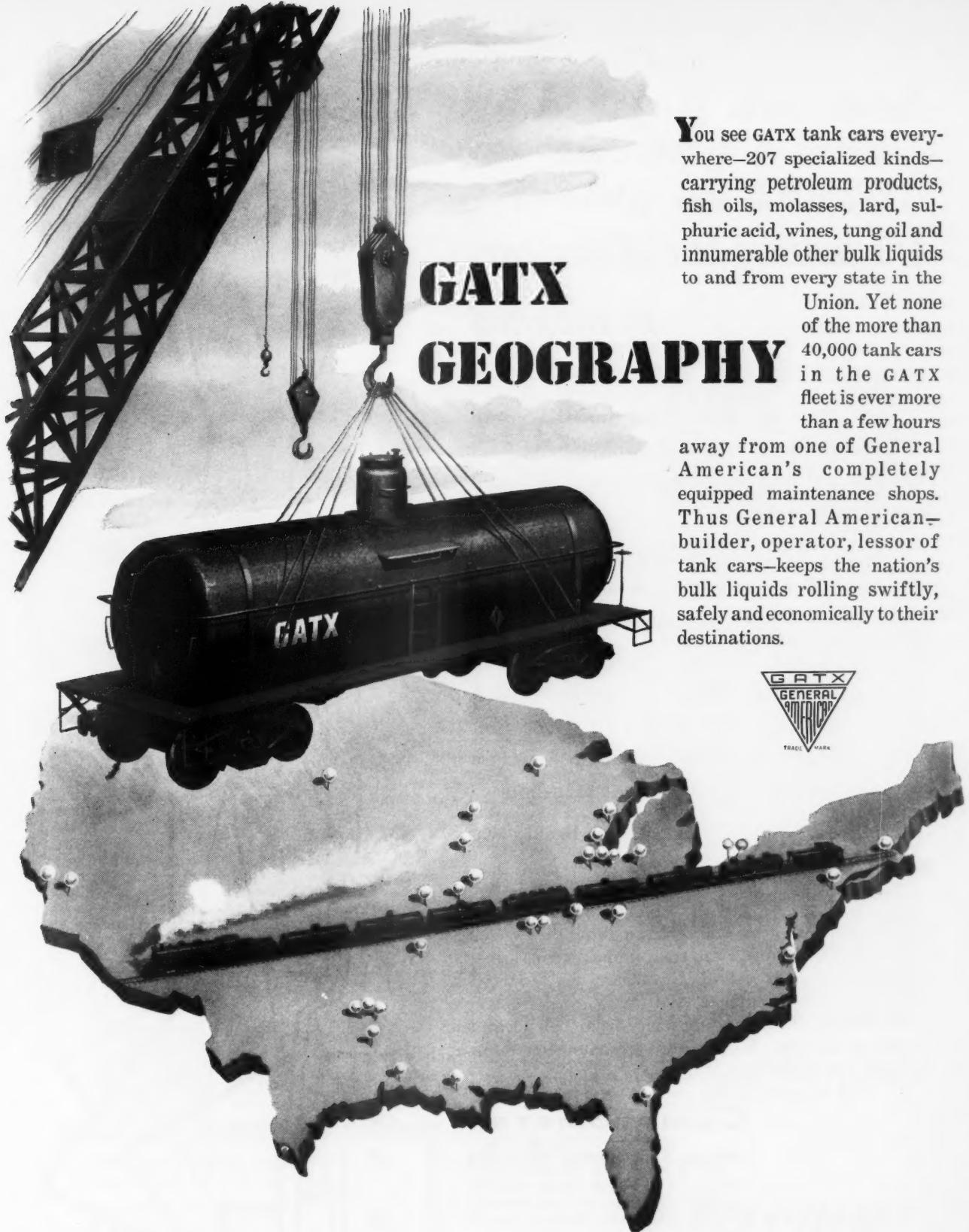
Celotex has back of it the years of scientific research, the

nationwide organization and quality-proved products which enable your distributor to *guarantee* his work, his materials, his Sound Conditioning techniques. For the name of your local Acousti-Celotex distributor in the U. S. or Canada and a FREE copy of the informative booklet "25 Questions and Answers on Sound Conditioning," write to The Celotex Corporation, 120 S. La Salle St., Chicago 3, Illinois.



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You see GATX tank cars everywhere—207 specialized kinds—carrying petroleum products, fish oils, molasses, lard, sulphuric acid, wines, tung oil and innumerable other bulk liquids to and from every state in the

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## *"It's coming out of my ears!" he moaned*

Old Beekly was in a foul mood. I began telling him about our Comptometer Payroll Plan and naturally pointed out that it would cut his costs sharply.

"Stop!" he shouted. "To hear you salesmen talk, all I have to do is buy your gimmicks and I'll save so much money it will pour out of my ears!"

I just smiled. "Give me a few minutes of your time, Mr. Beekly. I'll prove how our Plan, without *any* gimmicks, can do a job for you—and with far fewer clerical man-hours."

I proved it, of course. And Beekly was beaming when I left.

May we prove it to you? Simple and direct, our Comptometer Payroll Plan posts immediately to the employee's earnings record. Errors are cut down because copying is eliminated. With speed and accuracy—yet without elaborate machinery—you can clear a payroll of any size. Your nearest Comptometer representative will gladly demonstrate.

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Made only by Felt & Tarrant Manufacturing Co., Chicago, and sold exclusively by its Comptometer Division, 1722 N. Paulina Street, Chicago 22, Illinois.

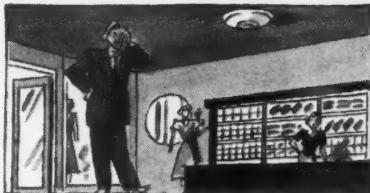




## *"Suddenly it dawned on me why I was losing business!"*

(The crowds were heading for the air-conditioned establishments)

"I had just been out to lunch. It was a typical summer day. When I came back to my store, the heat nearly suffocated me. I wanted to get out fast . . ."



"Right then it dawned on me—if I couldn't stand the heat in my own store, how could I expect customers to like it? How can I expect summer patronage?"



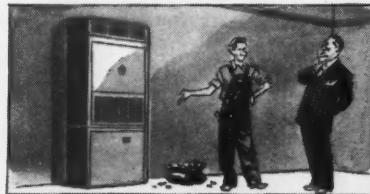
"I grabbed the Phone Book, turned to 'Air-Conditioning,' and called the Airtemp people to send a man over. He soon gave me the facts! For instance—



"A jewelry store increased business 37% within 3 months with Airtemp Air Conditioning. A chain of beauty shops doubled their unit sale. Drug stores . . ."



"...boosted sales, cut clean-up time 75%. A store saved \$600 in a single year in stock soilage. One merchant paid for his Airtemp unit out of increased profits in a single season. Well—



"—two days later I had an Airtemp 'Packaged' unit in my place! Smart-looking, streamlined—quiet as a kitten—it just sits there and brings that hot store down to 'cool as the sea shore.'



"Boy what a difference! I felt so much better—my help had more pep—people started coming in and staying a while—the cash register was busy all day long—and I found I was buying cool comfort out of the extra business it brought in!"



Pull in patrons with this sign!  
This beautiful window decal will tell the public it's cool and comfortable in your establishment.

AIRTEMP DIVISION OF CHRYSLER CORPORATION  
DAYTON 1, OHIO

Send "Packaged" air-conditioning information to:

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Phone \_\_\_\_\_

Kind of business \_\_\_\_\_ (DR-5-49)

# Chrysler Airtemp

"PACKAGED" AIR CONDITIONING  
HEATING AND COMMERCIAL REFRIGERATION

AIRTEMP DIVISION OF CHRYSLER CORPORATION  
DAYTON 1, OHIO



*The exciting life story of an industrialist and yachtsman:*

# I START WORK and go to Europe

PART I OF "CHARTING MY LIFE"  
the autobiography of  
**HENRY HOWARD**

*In* this issue, DUN'S REVIEW presents the first of three installments condensed from Henry Howard's just-published autobiography, *Charting My Life*.\*

The editors have arranged to bring this material to the attention of their readers because, in their opinion, it represents much more than an inside glimpse into the history of the American chemical industry over the past sixty years. Mr. Howard, as revealed in his own narrative, represents the type of business man we like to think of as "typically American." His originality, inventiveness, great store of common sense, his sturdy independence and granite integrity—all combine to a mixture as American as baked beans; though they are, perhaps, not quite as widely "typical" as we could wish.

*Charting My Life* is not another story of a "Great Fortune." It is the story of an adventurous and original individual, who achieved the "happy, varied, and well-rounded life" he sought and who is, at 80, still enjoying it. Fortunately the girl Henry Howard married, Miss Alice Sturtevant, had an equally adventurous spirit. Instead of a decorous honeymoon viewing Niagara Falls, her bridegroom presented her with a tandem bicycle on which they toured the then almost unknown Gaspe Peninsula. The 18-year-old bride competently took over both steering and pedalling as they approached each settlement, to leave her husband free to shoot off the savage dogs, half wolf, for which this picturesque region was noted. Their marriage was indeed a full partnership. When, upon America's declaration of war in 1917, Mr. Howard

organized and directed the recruiting and training for the new merchant marine, Mrs. Howard organized and acted as Chief of their Social Service Bureau. She founded the American Merchant Marine Library Association, of which she remained president until her death in 1945.

The United States Navy and War Departments owe a considerable debt to Mr. Howard's love of the sea and interest in everything appertaining to it. During the German-American yacht races at Kiel, which he initiated (a most interesting section of his book, which we unfortunately have not the space to include), he made powerful friends among the various Naval officials present. Through them, he obtained knowledge of a number of the latest foreign devices—most notable of which were the Gyroscopic compass and the Swedish Bofors anti-aircraft gun. And it was Mr. Howard's patient persistence which eventually led to their adoption by the United States.

Mr. Howard's appreciation of the rôle the sea played in his life is acknowledged in the Foreword to his autobiography:

"The importance of an absorbing hobby to a happy, varied, and well-rounded life can hardly be exaggerated. A chemical engineer by profession, my hobby has been the sea and everything connected with it. Because of this hobby, wherever I travelled, without the use of either special influence or money, I have been able to enlist the interest of kings, presidents, and heads of foreign businesses; the sea has been my letter of introduction. To this love of the sea and sailing, I owe the many



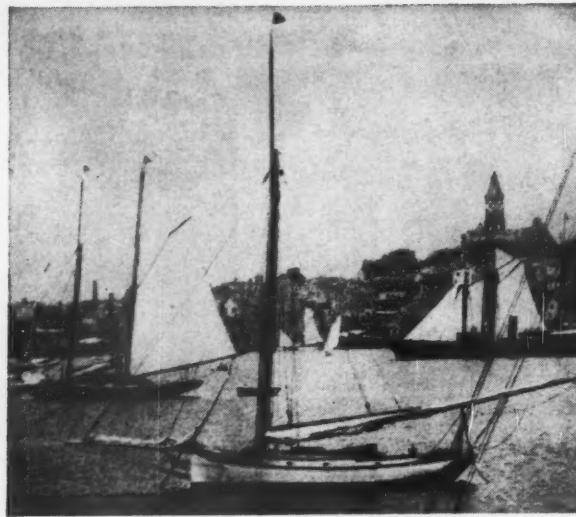
WHEN THIRTY-EIGHT YEARS OLD, 1906

good friends I am fortunate enough to possess in widely scattered parts of the world, the adventures I have shared in their company, and the ability to retire from business at what is considered an early age in America, with no fear of being left with nothing to do." —*The Editors.*

## PART I

*M*y love for the sea really began when I was about ten years old. I spent many Summers with my grandparents at Narrangansett Pier. (My mother died shortly after my birth.) Grandpa allowed me to go out in a sailboat with an old experienced lobster fisherman. He taught me how to keep my sense of direction without a compass—something which has been most useful to me and which I have never forgotten. There were two main guides—the direction of the heave of the sea and the direction of the wind as indicated by the ripples on the surface of the water. This principle holds true everywhere. The old South Sea

\* The Merrymount Press, Boston, 1948.



The "Gracie," one of Mr. Howard's first boats was purchased in 1885. Over 25 years old when he and a friend bought her they went around Cape Cod twice and down the coast of Maine as far as Camden in this 24-foot leaky keel sloop. They kept the "Gracie" for five years and sold her in 1890.

Islanders knew about it generations ago and used it.

In 1888 I became the youngest member of the Eastern Yacht Club at Marblehead. Up to the time of my marriage I had owned first the catboat *Topsy*; then the *Gracie*, an old and leaky keel sloop; and finally the fine 30-foot cutter *Elf*.

My first long cruise in the *Elf* was from Marblehead to Halifax, which we accomplished in 68 hours. On this trip I "shanghaied" my crew because I was afraid they would not go with me, and did not actually tell them our destination until we were more than half way to Cape Sable. At that time (1893), offshore cruising in small yachts was almost unknown, and this sport was really started at Marblehead by our cruise.

With my marriage in 1896 I had to sell the *Elf*. The next Summer, July 1897, was memorable because I had my first automobile. It was a "steam carriage" made by George E. Whitney, of South Boston, and was financed by a well-known Boston patent attorney, Mr. George B. Upham. No one had ever driven this car but Whitney, but Mr. Upham was very anxious to see how it would work in other hands.

Instructions given me by Whitney consisted in driving once around a small square, when he put the controls in my hands and off we went, leaving

him behind. After we had gone about two blocks, I noticed that the steam pressure was steadily falling, and after a few feet farther the car came to a standstill. I jumped out and saw that the gasoline burner was dying down. I immediately traced back the piping from the burner to the supply tank. There I found a shut-off valve which Whitney had closed before he started us off, thinking that I would not be able to find out what the trouble was. As soon as I opened this the steam pressure came up, and we had a delightful ride.

It was the first automobile that had ever gone over the road from Boston to Marblehead, and of course the first automobile that was ever seen at the Eastern Yacht Club. It created quite a sensation.

My wife and I were both so pleased with the operation of the Whitney that I ordered a replica. The completion of the new car was so slow that the next Summer in order to pacify me, Mr. Upham loaned us his 30-foot cutter *Norna* for my vacation. My daughter Katharine was then about three months old and was a nursing baby, so we decided to take her with us.

As one of the inducements to increase my wife's enthusiasm for the trip, I told her I would do all the baby's washing. We strung the diapers up like flags from the taffrail to the tip of the

topmast then down to the tip of the bowsprit.

At this time my wife was 20 years old, but before she was 24 we had four children—one girl and three boys. As they grew up they were quite musical and we had lots of fun with a family orchestra. None of the boys wanted to follow in my footsteps as a chemical engineer. They were, however, mechanically inclined, and as soon as they grew old enough I gave them good tools and built them an excellent workshop. Also, during one Summer vacation, I sent them to the course in shop work at the Massachusetts Institute of Technology.

Henry and Tom went to Harvard. John, while preparing for college, was taken ill. We sent him to the Eaton Brothers Ranch in Wyoming for an entire Winter where he lived an out-of-door life and returned in the Spring in splendid health. He took a Summer job and developed such unusual business ability that he decided he would like to cut out college and go directly into business.

We asked the advice of our friend, Dr. Ernest Fox Nichols, a very well-known educator who had just been appointed President of the M.I.T. Dr. Nichols had a long talk with John and advised us strongly to let him do as he wished, and this was done.

#### My First Job Was Assured

My own business life had really begun at the age of 13. At this time I expressed to my father my wish to go into the shipping business. My grandfather had been quite prominent as a shipowner in Boston. My father talked the matter over with me seriously and said that if I felt a real desire to go into that beyond anything else, he would be glad to help me.

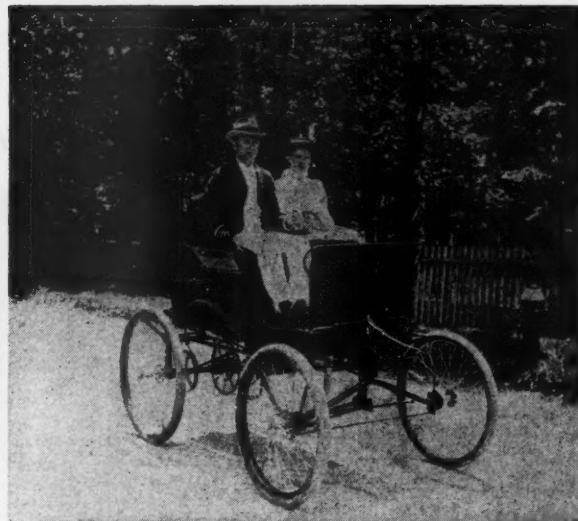
But he pointed out that he was then vice-president of the Merrimac Chemical Company and if I felt an interest in the chemical business, there would be a place awaiting me when I finished my education. If I wanted to go into that line of business, he would strongly recommend my going to the Massachusetts Institute of Technology instead of Harvard College where all my friends were planning to go.

After thinking the matter over most

carefully, I decided in favor of the chemical business. I was then attending the Boston Latin School. A study of the requirements of Technology showed that it might be possible for me to save two years by changing to the School of Mechanic Arts, a subsidiary school then run by the Massachusetts Institute.

The idea worked out very well. The class I was in at the Boston Latin School would have taken me into the class of '91 at Harvard, while I entered the class of '89 at Tech. Besides that I had two years' training in shop work, beginning with carpenter's shop, pattern making, molding and casting in the foundry, four months of blacksmith work, followed by machine tool work. This careful training of my hands and the practical knowledge of the trades involved have been of very great use to me.

It was a serious question to know just what to do in the Institute. There was no such thing as a Chemical Engineering Course in those days, but we made up a course which we thought would fit. This made it necessary for me to become a special student and made me ineligible for a diploma, but as I already had my first job assured, this did not seem to be any great objection. That this decision was a wise one and did not hurt my standing with



"... my first automobile. It was a 'steam carriage' made by George E. Whitney . . . It was the first automobile that had ever gone over the road from Boston to Marblehead, and of course, the first automobile that was ever seen at the Eastern Yacht Club. It created quite a sensation."

M.I.T. is proved by that institution's electing me a member of the Corporation in 1911.

The most useful thing I did for the Institute was getting them started in aviation. In 1913 M.I.T. became the third institution in the world and the first in the United States to build a wind tunnel and start courses for the scientific study of the subject. The University of Moscow in Russia and Göttingen in Germany had instituted pioneer courses

in aeronautics some years previously.

On entering the Merrimac Chemical plant at Woburn, I, of course, went in as an analytical chemist. Before the end of my first year I had designed and supervised the installation of a mechanical apparatus for drying our granulated alum as it came from the centrifugal machine. I based this on the general design used at the Revere Sugar Refinery, which I got permission to study. This worked very satisfactorily and saved the labor of two men.

A couple of years later I doubled the capacity of our sulphuric acid concentrating plant, which consisted of very expensive platinum stills, with a preliminary concentration made by lead pans. Platinum stills, of course, represented a very large investment in money and I was able to double the output by simply installing forced draft and redesigning the settings and fire box, using the principle of a "closed stoke hole": that is, the pressure of the air was against the outside of the fire door as well as in the ash pit.

This enabled me to use any pressure of air I wanted without any danger of its blowing out the fire door, and I was actually able to increase the output of the plant from an average of 110 to 120 carboys a day, up to 275 to 300 per day, using the same amount of labor and much less coal per ton of acid con-

(Continued on page 40)



"Before Mrs. Howard was 24 years old we had four children—one girl and three boys. As they grew up they were quite musical; each was taught to play a different instrument and had lots of fun with a family orchestra." The family, from left to right: Katharine Howard, Henry Sturtevant Howard, Henry Howard, John Babcock Howard, Thomas Clark Howard, and Mrs. Alice S. Howard.

## DISTRIBUTION:

# *The Keynote of To-day's Economy . . .*



TIMES SQUARE, NEW YORK CITY—BAKER PHOTOGRAPH FROM DEVANEY CO.

OSWALD W. KNAUTH

*E*FFECTIVE DISTRIBUTION IS THE LEADING PROBLEM OF MODERN INDUSTRY. WHAT GRADUAL CHANGES HAVE CAUSED THE PRIMARY EMPHASIS TO BE SHIFTED FROM PRODUCTION? HOW ARE PRICING POLICIES BEING REVISED TO MEET CURRENT MARKETING CONDITIONS? WHAT STEPS ARE MANY MANAGEMENTS TAKING TO BUILD SALES THROUGH THE CREATION OF A FRIENDLY PUBLIC ATTITUDE TOWARD THEIR COMPANY?

*A*n incredibly few years ago—around the turn of the century—the great problem of American industry was production. Scarcity determined values. The manufacturer, the engineer—the man who could make two blades of grass grow where one grew before—was the key man. New methods, economical processes, short cuts, were the focus of men's thoughts.

Distribution was taken for granted.

Need for more articles ran ahead of purchasing power. "An article well made is half sold" and "make a better mouse-trap and the world will beat a path to your door" were apt slogans. The travelling salesman and the retailer were held in low esteem. Here and there a John Wanamaker or a Marshall Field gained the respect of the community but they were rare exceptions. Contrast the mighty place in the

economic world held by a Carnegie, a McCormick, a Frick, an Armour, and many others.

To-day production is no longer a problem. It can be directed into any channels desired and fill the needs and wishes of the population. Fear of surpluses, not shortages, determines values. An economy of plenty has replaced the economy of scarcity. Problems of marketing have taken the center of the stage. The rate of production depends upon the rate of distribution. The best brains in every business are concerned with distribution rather than production. Management stresses selling programs, pricing policies, advertising, and public relations. The factory manager

now is where the distributor used to be.

So gradual has this shift been that we are scarcely aware of it. Our practices conform to the necessities of the new order. But our habits of thought, our customs, our laws have not had time to adjust themselves. We still think in the terms and conditions we were taught in school and college. Our courts apply the Sherman Anti-trust Act of 1890, framed in response to the conditions of the 1880's.

Had business not altered its methods to meet the changing demands put upon it, it would not have survived. It did not have any preconceived blueprint to follow, as does Socialism or Totalitarianism. It had to solve problems as they arose, ingeniously devise methods of selling goods as fast as they were produced. When old methods failed, new were tried. Bit by bit, in the acts of individual business men a new scheme of economy was hammered out. The process went on before our eyes as a series of clever improvisations, and is still so regarded by many.

The economy in which business now moves is a far cry from either the private enterprise of Adam Smith or monopoly. Though it has some characteristics of both, it has others that prevent its being fitted into either. Essentially

American, it differs in many respects from the systems worked out in other industrial countries such as England or Germany.

Managements think not only of profits but also of survival and their position in their industry. The policies they adopt dominate day-by-day decisions. Hard experience has taught them that when they overplay their hand they invite another large unit into their field. Their apparently strong trade position dissolves if they abuse it and try to cash in on their advantage.

Competition is no longer within an industry, it is between industries. The boundaries of industry have become so fluid that industrial fields overlap and one industry can invade the field hitherto held to be the private precinct of another. Research laboratories find new uses for products. Substitutions of one metal for another, plastics for metals and rubber, new textiles for old, are daily occurrences. The oil and rubber industries are intertwined with the chemical industry.

Under the old concept competition was considered to be mainly in prices. Price was the automatic resultant of the interplay of supply and demand, set by impersonal forces over which no one had any control. It was argued

that there could be only one price as long as market forces had full sway. Opposed to competition was monopoly; under it prices were completely controlled to maximize profit. There was nothing in between.

Economists, noting these developments, coined the terms "imperfect competition," "monopolistic competition," "oligopoly." The pattern of our industrial structure has become complicated by endless variations. It cannot be described by single phrases such as free enterprise, monopoly, or capitalism. To crowd it into a simple mold is to torture reality. Yet the old economy retains a hold while the new is being formed.

### Price, Only One Sales Factor

In this new economy, price, provided it is reasonable, is only one of many factors on which distribution depends. In organizing a system of marketing calculated to siphon off output as fast as it comes from the assembly line, many other factors have to be considered—and in many cases are of dominant importance. Reputation, advertising, adjustment of the size and style of the package to the prospective purchaser, eye appeal, skillful salesmanship, display—all are factors in marketing a product. Price is still important but not in an exact sense. It must fit into the general pattern of the economy. It must be within the range of the pocketbooks of the group of customers the producer has chosen for his clientele.

Prices are set in advance in the hope and expectation that they will not have to be changed. Many elements have to be considered. The diverse viewpoints of executives are resolved only after much discussion. The price decided upon is not the only price possible. Each of many prices would have its advantages and disadvantages. Studies are conducted to discover probable public response; sometimes limited experiments serve as guides.

(Continued on page 50)

"Most households need only one central heater, one kitchen stove, and one refrigerator. They would not buy another no matter how low the price. . . . For such articles total demand is unaffected or only slightly affected by price. To maintain orderly marketing, prices must, consequently, be administered."



*I*NCREASED MARKED RETENTION OF PROFITS HAS IMPORTANT EFFECTS ON OUR ECONOMY. PERHAPS THERE IS AN EFFECT ON INVESTORS, TOO: ON THIS AN "ELDER STATESMAN" OF THE FINANCIAL AND BUSINESS WORLD COMMENTS FROM A BROAD BACKGROUND OF DIRECTORSHIPS AND MANAGEMENT RESPONSIBILITIES. THIS ARTICLE IS ONE OF A SERIES THAT PRESENTS DIVERSIFIED OPINIONS OF MEN WHOSE INTERESTS HAVE CREATED DECIDED AND OFTEN CONFLICTING CONVICTIONS.



FINANCIAL DISTRICT, NEW YORK CITY—THORNTON PHOTOGRAPH

## *The Stockholder's Stake IN CORPORATE PROFITS*

LYMAN P. HAMMOND

FOR true "social security" one's income must be fixed in purchasing power regardless of its fluctuation in dollars. Since, as a general thing, prices and profits rise or fall simultaneously, an *effective* participation in profits provides more income when it is needed and when prices and profits recede income requirements recede also.

Consequently it seems to the writer that well-selected common stocks of successful, established industries engaged in essential production should tend to afford a more constant "real" income than fixed-income securities do. Note,

however, the qualification that, to sustain this theory, participation in profits must be an "effective participation"; that is to say, dividends must be a fairly constant proportion of profits.

What the Department of Commerce denominates as "Personal Income" in the United States is running more than two and a half times as much post-war (1946-1948) as it did pre-war (1937-1939). Corporate profits are more than four times as great and commodity prices have doubled; but dividends, although the highest of record, are only 74 per cent greater.

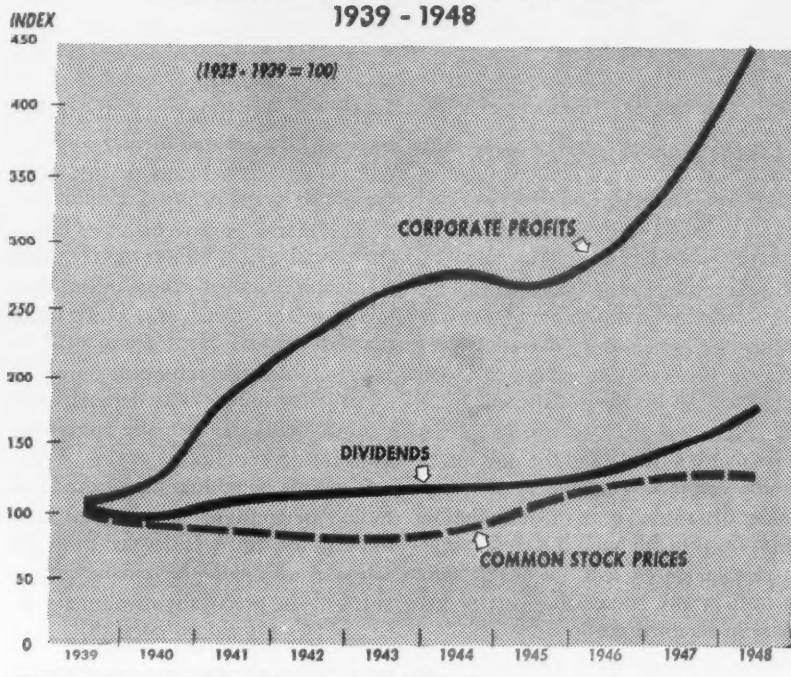
To what extent, if any, is the present apathy of investors toward corporate equities that is deplored by many prominent industrialists, financiers, and economists due to retention of such a large part of corporate earnings for use in the business, apparently with full approval of these same authorities? Is it possible that what interests the investor is the price-dividend ratio rather than the price-earnings ratio of which so much is heard in economic parlance?

When one turns his newspaper to the financial pages he finds the dividend rate given for each issue, but nothing

as to earnings given in the list of transactions. True, the earnings of various corporations are reported from time to time by the leading metropolitan papers but seldom are found in the newspapers of the smaller communities. Evidently experts on news values rank dividends as more important than earnings.

### PROFITS, DIVIDENDS, AND STOCK PRICES

1939 - 1948

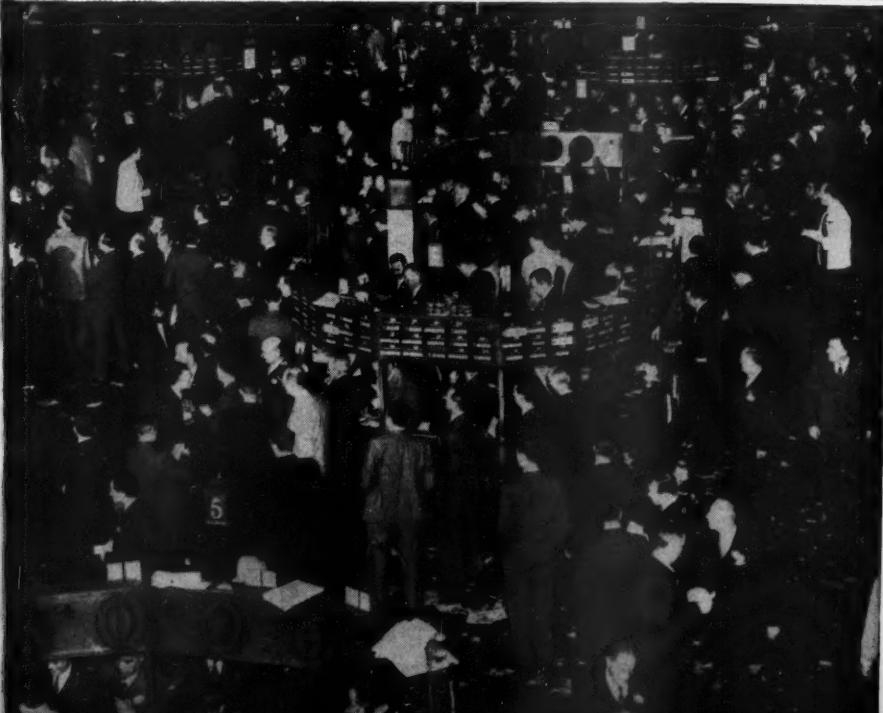


SOURCES: U. S. DEPARTMENT OF COMMERCE, STANDARD AND POOR'S CORPORATION

"There is room for a suspicion that dissatisfaction with . . . retaining a major part of profits . . . has contributed to the scarcity of new, so-called, venture capital."

" . . . well-selected common stocks of successful, established industries engaged in essential production should tend to afford a more constant real income than fixed-income securities."

TRADING IN THE NEW YORK STOCK EXCHANGE—THORNTON PHOTOGRAPH



"What does it yield?" invariably means what does a stock pay; not what does it earn. A comparison of the trends in corporate profits, dividends, and the prices of common stocks seems clearly to indicate that in the long run dividends affect prices much more than earnings do. Such a study encounters

the usual difficulty of producing definite proof from mass statistics, and there are many times when stock prices rise or fall without regard to either dividends or earnings.

The latter was the case in the late 1920's, in 1942, again in 1947, and at present the market prices of common stocks certainly seem uninfluenced by price-earnings ratios heretofore considered bonanza, or by the many extra dividends recently declared. Nevertheless, it is believed that answers to the questions asked above are strongly indicated by consideration of the pertinent statistics.

#### The Last Ten Years

Standard and Poor's Corporation maintains an index of the price of some 400 common stocks (broad enough to be a fairly convincing indicator) in which the average of prices for 1935-1939 is taken as 100. Using the United States Department of Commerce figures for annual corporate profits and dividends we derive comparisons for the ten-year period included in the following table. So as not to be misled by the wide swings encountered in comparing single years, a moving average annual figure for three-year cycles has been employed in determining these figures. The average is centered in the third year.

Yr.	Net Profits all Corporations (millions)	All Corporate Dividends to Public (millions)	Prices for Common Stocks (1935-1939=100)
1939	\$3,933	\$3,805	100
1940	4,580	3,080	90
1941	6,046	4,103	87
1942	8,422	4,270	79
1943	9,727	4,413	80
1944	10,201	4,485	87
1945	9,973	4,626	104
1946	10,799	5,002	120
1947	13,221	5,735	128
1948	16,872	6,762	129

These figures were also used in constructing the chart on this page. So that comparisons might be drawn more easily, the dollar figures for net profits and for dividends were converted to index numbers. The 1935-1939 average is equal to 100 for all figures in the chart.

That business needs more capital as a result of the increases in prices and volume of output is quite apparent, and the need is probably somewhat more acute in the smaller enterprises than in the large corporations. One would naturally suspect that small, closely held corporations are retaining

most of their profits, for it is difficult for such enterprises to raise capital with new securities.

As more than 70 per cent of the net income reported on the tax returns of all industrial corporations in 1944 was reported by corporations classified as having assets in excess of \$5 million, it seems evident that the dividend policy of small corporations does not materially affect the ratio of dividends to profits in the corporate situation as a whole. Of the fourteen groups of large industrial corporations analyzed in the Federal Reserve Bulletin of last June only four—tobacco, railroads, electric and gas, and communications—distributed 60 per cent or more of their profits in 1947, while two—the rubber and the petroleum groups—paid out something less than 40 per cent.

#### A Tacit Vote of Confidence

In arbitrarily retaining over 60 per cent of the profits in order to expand the business or improve its plant, as in 1947 and again in 1948, corporate management is demanding a very substantial vote of confidence from stockholders. It is axiomatic that management should not retain profits unless confident that reinvestment will yield good returns. Retaining a major part of them without consultation or concurrence of the stockholders could be construed as evidence of doubt that the stockholders would have concurred if consulted; and as a rule the *post facto* explanations—if any—contained in reports to stockholders are too brief and too general in nature fully to allay any such doubt.

Consider the information required by law when soliciting voluntary subscriptions to corporate capital. No experienced investor expects or wants dividends equivalent to all, or nearly all the profits, but when it comes to reinvestment of half or more of his share of the profits it is only natural for the stockholder to want information and an option in the premises.

*"We are dealing with a situation in which the corporations want more capital, while what probably the majority of stockholders want is a larger share of current corporate income for themselves. A third party of interest is the stockholder who . . . is well content to have the greater part of his share of the earnings withheld and reinvested in the business."*

Comparing three years ended with 1939 as pre-war with three years to the end of 1948 as post-war, we find that 78 per cent of the gratifying increase in corporate profits in the latter period remained undistributed. There is room for a suspicion that dissatisfaction with this state of affairs has contributed to the scarcity of new, so-called, venture capital.

Reluctance to forego dividends fully reflecting current profits does not necessarily indicate a lack of confidence in management's judgment. The stockholder may have plenty of good and sufficient reasons for preferring income to an enhanced equity. As will be shown, the average stockholder is not a person of large means, and probably is not immune to the increase of some 75 per cent in the cost of living that has occurred since pre-war days. An increase in the book value of stock doesn't help meet an increase in the butcher's bill.

As matters now stand the only practicable recourse available to a stockholder dissatisfied with the distribution of profits is to sell out. But this, except in rare instances, will not enable him to cash in any appreciable part of his share in retained profits.

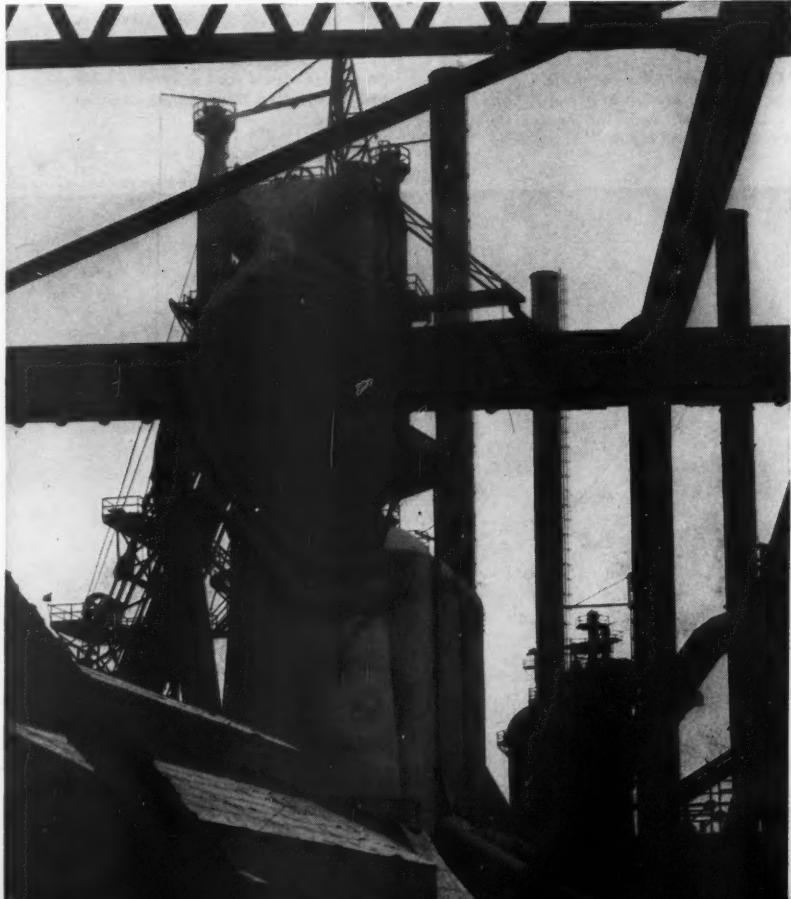
Since the first of 1946 the corporate profits that have been retained in the business undoubtedly exceed \$25 billion but, certainly as a general thing, at no time in the two years just elapsed could stock owned January 1, 1946, have been sold at prices fully reflecting its increased book values. In fact, in December 1948 the aggregate market value of all shares listed on the New York Stock Exchange was 9 per cent lower despite an increase of about 27 per cent in the number listed.

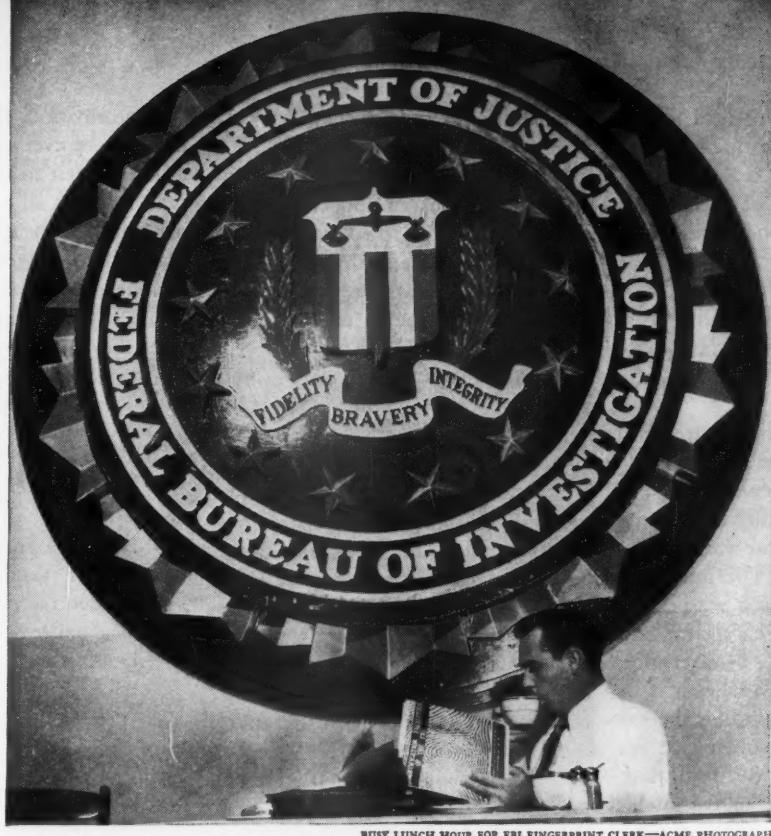
The Federal Reserve Bulletin for June 1948 reports that in 1947 corporations other than banks or insurance companies spent nearly \$24 billion in expansion and improvements. Of this approximately \$11 billion was obtained from undistributed profits, about \$7.5 billion was borrowed, only a little more than \$1.2 billion came from stock issued for other than refunding purposes, and the remainder was derived from various sources, principally appropriations for depreciation.

It will be noted that out of the \$12.2 billion permanent new capital only some 10 per cent was derived from the sale of stock, while the remainder consisted of the practically involuntary in-

(Continued on page 56)

STEEL MILL, YOUNGSTOWN, OHIO—CORSON PHOTOGRAPH FROM DEVANEY





BUSY LUNCH HOUR FOR FBI FINGERPRINT CLERK—ACME PHOTOGRAPH

## The Most Carefully Selected Men in the World

THOMAS M. McDADE  
*Manager, Accounting, Budgets, and Methods,  
General Foods Corporation*

*I*t may come as a surprise to some that the subjects of this article are not members of a learned society, Cabinet ministers, or brothers of a secret order, but merely the employees of a particular government department. They are agents of the Federal Bureau of Investigation.

Not long ago the presidency of a 50 million dollar corporation became vacant for the second time in a year, due to the death of the man who had been appointed only a year before. The deceased president had been the vice-president of a competitor company which was making an enviable record and his selection was concurred in by all members of the board of directors who had known of the man only by his public reputation. At his death it was discovered that the man selected

had had a bad heart condition, aggravated by increasing alcoholism, facts which could have been discovered if an inquiry had been made when the appointment was decided. With only a little precaution the company could have avoided a year of wasted effort which the selection had meant in changed leadership and altered plans.

That man was paid \$90,000 a year and yet his selection was left to the common knowledge and talk in the trade—to his general reputation. That couldn't have happened to an applicant for Special Agent in the FBI, a job which pays only \$4,500 to a beginner. Mistakes are sometimes made, but when they do occur they are such as could have been avoided by review of all the known facts beforehand.

Business has something to learn from

the way in which the FBI selects its men. There is also a lesson to be learned from what happens to those men in later life when they leave the FBI and go into business.

Aside from the required professional qualifications as a lawyer, accountant, or other skilled fact-finder, the main personal quality sought after is simply character. There is a firm conviction in the FBI, backed up by substantial experience, that technical qualifications for *any* job are always subordinate to those of personal integrity and character.

This opinion may result from the fact that their work brings them in contact with so many people who have failed because of weakness of character, and the causes of the failure are so apparent. It may be because they have found that

skill or proficiency in doing a job is more easily acquired than life-long integrity. Whatever the reason, character is the main test of acceptance and all doubtful decisions are decided against the applicant.

Just how does the FBI select an agent from among the hundred who apply? Here is what happens in the investigation of every applicant before he is appointed a special agent.

At the field office located nearest his home, the applicant takes a written examination and is interviewed. The examination is not difficult considering his education; it is the interview which is the important factor. This interview is quite like any between a prospective employee and the boss except for one thing. Instead of trying to determine how well qualified the applicant is in law, accounting, or reporting, the examiner measures his man in tact, appearance, personality, forthrightness, honesty, self-confidence, native intelligence, and even humor. Each of these qualities is necessary in dealing with people and for a job in which the personal element bulks so large, a good bit of each quality is required.

As part of this "sizing up" process, the applicant will be asked to do a little job for the local office. The applicant is told that the owner of a car which was stolen is at a nearby hotel, and he is asked to interview this man and get the facts of the theft. The "owner" is another agent who carefully observes how the applicant conducts the interview and then he compares notes with the agent to whom the interview is reported. Judgment, common sense, tact, and self-possession are traits rated highly in these tests.

If the applicant passes this first review, a complete investigation is made of his background. The most carefully selected men in the world? Where else is the following investigation made of a man for *any* reason? Every school he attended is visited personally by an FBI agent who examines his scholastic records, interviews his teachers, and gets as complete a picture as possible of his life and personality at that school. Every neighborhood in which he has lived, in any city, is visited and his neighbors are asked, "What kind of a person was he? What kind of people

were his friends and associates? What were his habits—good or bad?"

All references are interviewed. Generally the persons an applicant names would be expected to speak favorably of him and they usually do. But people often react differently to an interview than to a telephone or letter inquiry. They are impressed by the interviewer's remarks that it is unfair to the applicant and to the Government if an unqualified person gets by, only to have his shortcomings discovered later.

One such personal reference, a close friend of an applicant, began by praising his friend to the skies, then, when he saw that his remarks were being written down, he revealed that the applicant was a bigamist and that he was the only person who knew it. With an otherwise perfect record, he just hadn't bothered to get divorced before marrying a second time.

The old adage of judging a man by the company he keeps is still a good one for character investigation. More time is spent trying to see what a man does in his spare time and with whom he does it, than in any other part of the investigation.

Once a model young man, the spark-plug of every local civic enterprise, applied for a job as an agent. He seemed to have every qualification and every civic leader in his town sang his praises. When he wasn't appointed, the local bigwigs asked their United States Senator to find out why their favorite son had been turned down. The results of such an investigation are strictly confidential, but when the Senator threatened a storm in Washington if something wasn't done about his man, an agent visited his office and explained to him, without revealing the source of

the information, that the local bright boy, whom everyone admired, owned a half interest in the town bookmaker who covered all race tracks and was arranging to bring a race track wire service into the town. Nothing more was heard from the Senator.

Investigations are not always negative, they often reveal the very thing which may result in the applicant's appointment. One investigator was once told that the applicant was a bully and had been arrested for assaulting a man. This seemed surprising for until then the reported conduct of the applicant had been so exemplary as to make the investigator wonder if he was really a red-blooded man. As a matter of routine local police departments are always checked for an arrest record. The investigator found the record of the arrest for assault, but the case had been dismissed. This was too inconclusive so the agent had to round up all the parties to the original arrest—the complainant, the witnesses, the arresting officer. It soon developed that what had happened was that the applicant, escorting a girl home one night, was set upon by three town toughs. He beat the three of them so badly in a fight that the uncle of one, a local politician, pressed the charge which resulted in the arrest. The result of this investigation was to insure his appointment as an FBI agent.

As in the neighborhood investigation, inquiries of former employers are conducted by personal interview. In trying to get a man's frank opinion about another, there is no substitute for a face-to-face talk. Also, it is interesting to note that the person interviewed is not always the department head who may know very little of the applicant's personal qualities, but the man who supervised his work.

Investigations may take from a couple of days to a week or more, depending on the number of agents used and the localities involved. They cost from \$150 to \$500, and sometimes much higher. Reports from all investigating offices are sent to Washington where they are reviewed and on the basis of the investigation the decision to appoint or not is made. Endorsements by members of Congress for the man's district may be sent in. They get the weight



they deserve, generally much less than the remarks of the corner newsstand proprietor who knows the applicant from seeing him off to work each morning. The last step is a thorough physical examination and, after that, the training begins.

When the newly appointed agent is

sworn in, the Government is as reasonably sure he is a good moral risk as one could find. And its experience backs up its belief. Bribery of an FBI agent is unknown—many a man who was foolish enough to try it is in prison today to testify to that fact.

Do they ever quit? Sure, by the hun-

dreds. Why? To accept one of the scores of business opportunities which are offered to every agent from the day he first begins to work for Uncle Sam. It is a natural course of events that one day he finally succumbs to the lure of better pay and the assurance of "settling down" in one spot and of being able to make better provision for his wife and children.

What happens to former FBI men in business is a story itself. Business, big business and little business, has learned from either profitable past experience or observation that hiring "graduates" of the FBI is a guarantee that they are hiring character and integrity. If FBI men as a whole are the most carefully selected men in the world, what would you call the individual men selected from that group?

#### Former Special Agents' Society

The first surprise one gets in reviewing the careers of former FBI men is the diversity of jobs they fill. It is easier than one might think to see what they do for they have formed an organization, called the Society of Former Special Agents of the FBI, which publishes a roster of its 1,500 members, including the names of their employers and the jobs they hold. The companies which are represented include almost every major industrial firm and the various jobs are representative of almost every skill from research technician to president.

When asked how a G-man came to be president of a corporation employing 1,500 people, one of them remarked, "Why shouldn't I be qualified? I organized and directed an anti-trust investigation of an allied industry, using 40 agents and 25 accountants. I had to know every aspect of that business from buying its raw materials to knowing its exact margin of profit under three different price schedules using four different transportation rates. When we finished our case I knew more about that industry than the heads of the three leading companies. They told me so themselves. That's how I got my present job."

A field in which many agents find success is personnel and training. Modern business is vast, complicated, and

(Continued on page 47)

HARRIS & EWING PHOTOGRAPH

**ABOVE** FBI agents hold night firing exhibition with "tommy-guns" using tracer bullets at their Quantico, Va., range. The demonstration is given before graduates of the National Police Academy, a short refresher course for the nation's police officers which is conducted by the FBI.

**BETWEEN** "Aside from the required professional qualifications as a lawyer, accountant, or other skilled fact-finder, the main personal quality sought after (when appointing a special agent of the FBI) is simply character. . . All doubtful decisions are decided against the applicant."

THE FBI CHECKS FINGERPRINTS OF GOVERNMENT EMPLOYEES—ACME PHOTOGRAPH



# The Trend of Business

{ PRODUCTION  
PRICES . . .  
TRADE . . .  
FINANCE . . .

A SEASONAL INCREASE IN THE DEMAND FOR MANY GOODS HELPED TO STIMULATE PRODUCTION AND EMPLOYMENT. TOTAL OUTPUT WAS CLOSE TO THE HIGH 1948 LEVELS. PRICE CUTS IN MANY LINES REFLECTED THE INCREASED COMPETITION FOR THE CONSUMER'S DOLLAR; SOME FURTHER ADJUSTMENTS WERE ANTICIPATED.



A ROCKY MOUNTAIN PEAK IN WYOMING—HELEN L. LEE PHOTOGRAPH

FOR the past four years, Spring has marked a very noticeable improvement in over-all economic activity. With the seasonal upswing in the demand for many goods, business sentiment has revived from the usual first quarter dip, and become generally optimistic in its expectations for the year in progress.

The pessimism which prevailed during the early months of 1949 was more widespread than in other post-war years; and probably more justified by the recent economic fluctuations. There were some doubts that a Spring upturn would occur, and even more speculation that, if it did occur, it would not be sufficient to offset the earlier declines in production, employment, and retail sales.

The scope and intensity of the current seasonal stimulation of business is

reflected by the various economic indicators. While the latest available data are as yet inconclusive, they provide a very important and practical basis on which to form future decisions.

*Manufacturing* Production in most factories was scheduled at a high level during March; there was a slight dip in physical output due to the coal mine shutdowns and a reduction in the manufacture of some products such as petroleum and rayon.

In the first quarter of 1949, steel ingot production averaged 1.8 million tons per week, nearly 9 per cent above the corresponding 1948 output. Despite the coincident coal mine shutdown, steel production in the two weeks March 14 to 28 hit a new two-week peak of 3.7 million net tons, 5 per cent above

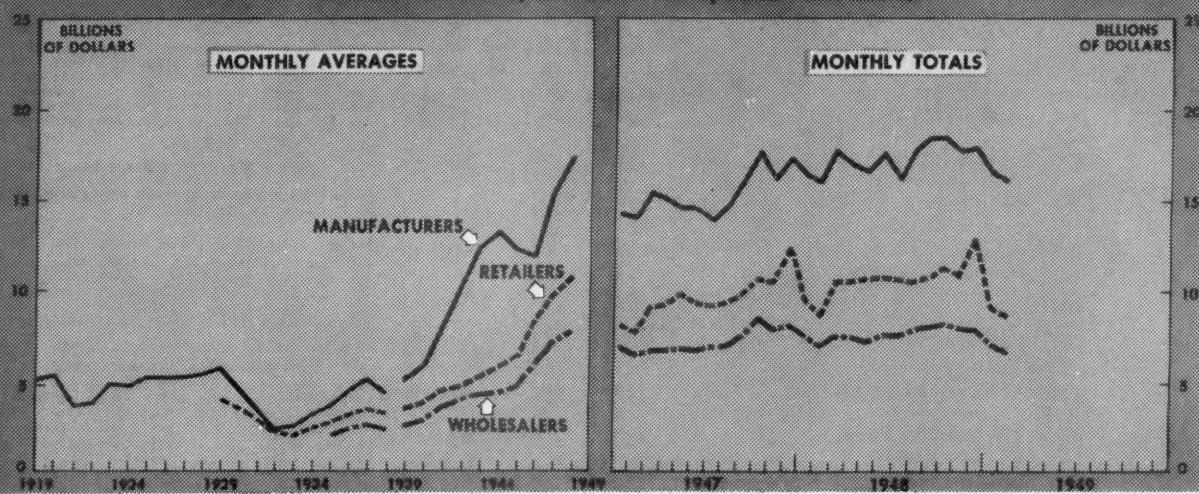
the war-time two-week record set in March 1944.

Automobile production continued at near-record levels in March; it was about 7 per cent above a year ago. Some 452,000 cars and trucks were produced. At an annual rate this would slightly exceed the previous record of 5.4 million vehicles produced in 1929.

While electric power production was down seasonally in March, the decline was less sharp than that of a year ago. In the last week of March, kilowatt-hour production was 7 per cent above a year ago, a better comparative showing than at the beginning of the month.

Paper mill operations declined from 93.7 per cent of capacity to 91.5 per cent in a series of fractional weekly drops. Lumber production rose materially in March, but was 10 per cent below the 1948 level.

## SALES OF MANUFACTURERS, WHOLESALERS, AND RETAILERS



Supported by record levels of employment and income, the effective demand for most goods was unprecedented in the post-war years. Sales of manufacturers, wholesalers, and retailers soared to all-time peaks. Recently, uncertainty regarding the trend of future prices has resulted in some curtailment in buying; sales may be expected to level off in 1949. Figures prior to 1939 (black lines) from Simon Kuznets' "National Income And Its Composition"; figures after 1939 (colored lines) from United States Bureau of Foreign and Domestic Commerce.

Declines in the production of lumber, some machinery, furniture, and glass reduced the output of durable goods in February. There were also moderate cut-backs in the production of such nondurables as chemicals, rubber, paper, oil, and rayon.

Despite all these declines, the Federal Reserve Board's Index of Physical Production was 3 per cent below the November peacetime peak. It exceeded the annual average for every year prior to 1948 except for the phenomenal figures attained in 1942-1945 under the unprecedented demands of war.

As individual industries have succeeded in reducing the heavy post-war backlog of orders, production has become more closely geared to the seasonal changes in demand.

**Employment** When 54,000 persons withdrew from the ranks of the jobless in March, unemployment declined for the first time in five months. About 5 per cent

of the labor force was unemployed. While this was less favorable than the 3 per cent in 1929, it was considerably better than the 25 per cent in 1933 and the 17 per cent in 1939.

A seasonal expansion of employment in agriculture and in some industries counterbalanced layoffs in other lines. A two-month decline in employment was reversed when the number of people at work rose by 479,000 to somewhat over 57.6 million in March.

The hiring of additional farm help boosted agricultural employment by 400,000 to 7.4 million workers; this was 8 per cent above a year ago. Non-agricultural employment rose very slightly, but was fractionally below a year ago.

It is expected that total employment will reach 60 million during the summer months. The all-time peak in employment was reached when there were jobs for 61.6 million persons in July 1948. At that time the labor force totalled nearly 64 million; the current estimate was about 61 million.

**Income** While the average factory worker continued to work 39.4 hours in February, his weekly pay envelope contained \$54.25, or sixteen cents less than in January. However, he was better off than in February 1948 when earnings in the 40.2 hour work-week amounted to \$51.75.

Work schedules in the iron and steel, automobile, non-ferrous metal, and lumber industries were reduced during February with the result that average weekly earnings among durable goods workers declined about 50 cents to \$58.03.

The earnings of workers in the apparel and leather factories increased considerably in February due to the expanded production of Spring merchandise. But neither the average earnings or the hours worked in the nondurable goods industries as a whole rose appreciably.

Farm income recovered slightly in March and early April from the February low point. A seasonal increase

### Consumers' Price Index

Index: 1935-1939=100; U. S. Bureau of Labor Statistics

	1946	1947	1948	1949
January	129.9	153.3	168.8	170.9
February	129.6	153.2	167.5	169.0
March	130.2	156.2	166.9	167.8*
April	131.1	156.2	169.3	
May	131.7	156.0	170.5	
June	132.3	157.1	171.7	
July	141.2	158.4	173.7	
August	144.1	160.3	174.5	
September	145.9	163.8	174.5	
October	148.6	163.8	173.6	
November	152.3	164.9	172.2	
December	153.3	167.0	171.4	

\* Approximation: figure from quoted source not available.

### Wholesale Commodity Prices

Index: 1926=100; U. S. Bureau of Labor Statistics

	1946	1947	1948	1949
January	107.1	142.0	165.7	160.6
February	107.7	145.2	165.7	158.2
March	108.9	150.0	161.4	158.6*
April	110.2	148.0	162.8	
May	111.0	147.3	163.9	
June	112.9	147.7	166.2	
July	124.7	150.6	168.7	
August	131.0	153.7	169.5	
September	134.0	157.4	168.7	
October	134.1	158.5	165.2	
November	139.7	159.6	164.0	
December	140.9	163.2	162.3	

\* Approximation: figure from quoted source not available.

### Industrial Stock Prices

Monthly Average of Daily Index: Dow-Jones

	1946	1947	1948	1949
January	199.00	176.10	176.26	179.75
February	199.46	181.54	168.47	174.40
March	194.37	176.66	169.94	
April	205.81	171.28	180.05	175.87
May	206.63	168.67	186.38	
June	202.32	173.76	191.05	
July	202.37	183.51	187.95	
August	199.44	179.70	181.77	
September	172.77	162.82	180.33	
October	160.48	181.92	185.19	
November	168.94	181.42	176.60	
December	174.38	179.18	176.31	

Based on closing prices of 30 industrial stocks.

## Weekly Signposts of Business

WEEKLY AVERAGES 1939	1948	SELECTED BUSINESS INDICATORS	LATEST WEEK	PREVIOUS WEEK	YEAR AGO	WEEK ENDED
102	170	Steel Ingot Production Ten Thousand Tons	180	181	156	Apr. 25
76	111	Bituminous Coal Mined Hundred Thousand Tons	114	115	114	Apr. 23
13	101	Automobile Production Thousands Automobiles	128	128	97	Apr. 30
31	53	Electric Power Output Ten Million K.W. Hours	53	53	50	Apr. 23
65	82	Freight Carloadings Ten Thousand Cars	77	77	85	Apr. 23
109	304	Department Store Sales Index Number	313	320	294	Apr. 16
77	165	Wholesale Prices Index Number	157	158	165	Apr. 23
74	211	Bank Debits Hundred Million Dollars	189	219	197	Apr. 16
76	285	Money in Circulation Hundred Million Dollars	274	275	277	Apr. 23
219	101	Business Failures Number of Failures	204	198	106	Apr. 28

in meat prices was chiefly responsible for the rise.

**Prices** The abundant production in 1948 and the first quarter of 1949 virtually eliminated shortages of goods and brought a return of competition in most lines. As the supply of goods became more abundant, consumers of practically everything from hair pins to industrial raw materials became markedly resistant to high prices.

The prices of a wide variety of products were recently reduced, but many consumers continued to restrict their buying in the hope of further declines.

The prices of lead, copper, iron, some steel products, and paper declined steadily in March and early April to new post-war lows. Many manufacturers of paints, rubber products, hides, and chemicals reduced their prices in the same period. While lead, zinc, and

copper were difficult to obtain early in 1949, supplies of these metals were more easily available in March and their prices declined considerably.

Relief in the form of lower food prices helped to lessen the housewife's budget problems in March and early April. Although some meat prices remained very high, many other foods were considerably cheaper than in previous months.

**Finance** A temporary advance in stock prices followed the reduction in margin requirements from 75 per cent to 50 per cent on March 30. Daily trading volume expanded from 700,000 shares to 1.8 million shares, the largest since November 10, 1948.

The Dow-Jones average of 30 industrial stock prices rose 2.40 points to 178.39, the largest gain since October 22, 1948. Utilities shares reached a new

### WHOLESALE FOOD PRICE INDEX

The index is the sum total of the price per pound of 31 foods in general use. It is not a cost-of-living index.

Latest Weeks	Year Ago	1949
Apr. 19.. \$5.68	Apr. 20.. \$6.85	High Jan. 4.. \$6.12
Apr. 12.. 5.71	Apr. 13.. 6.76	Low Feb. 8.. 5.66
Apr. 5.. 5.78	Apr. 6.. 6.72	1948
Mar. 29.. 5.77	Mar. 30.. 6.75	High July 13.. \$7.36
Mar. 22.. 5.79	Mar. 23.. 6.72	Low Dec. 14.. 6.21

### DAILY WHOLESALE PRICE INDEX

The index is prepared from spot closing prices of 30 basic commodities (1930-1932=100).

Week Ending	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.
Apr. 23..	249.32	249.40	249.89	249.65	249.46	249.11
Apr. 16..	252.79	252.97	250.19	250.61	Holiday	249.68
Apr. 9..	255.39	255.89	253.83	253.88	253.35	253.01
Apr. 2..	256.26	255.53	254.98	255.98	255.73	256.07
Mar. 26..	256.54	256.23	256.40	255.89	256.68	256.09

### NEW BUSINESS INCORPORATIONS

Geographical Regions	Feb.	Feb.	Two Months
New England .....	1949	1948	1949
Middle Atlantic .....	431	475	931
East North Central .....	2,188	2,449	5,056
West North Central .....	1,109	1,411	2,459
South Atlantic .....	337	429	746
East South Central .....	851	1,076	1,931
West South Central .....	230	255	466
Mountain .....	383	560	801
Pacific .....	212	346	755
Total U. S. ....	6,362	7,873	14,268
			18,873

1949 high; prices were fractionally below the pre-election level.

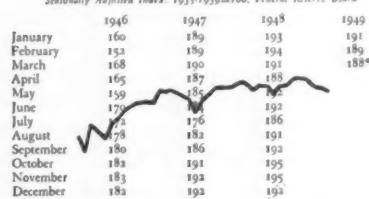
However, there was a subsequent sharp contraction in trading volume; it resumed its course below the million share level. Stock prices declined considerably; by April 7 the Dow-Jones average was down 3.35 points to 176.04.

**Wholesaling** With the normal seasonal influx of pre-Easter orders, total wholesale volume rose moderately in March and early April. It was approximately even with the corresponding 1948 level. Orders generally were more numerous, but for smaller quantities than at this time a year ago; commitments were usually for immediate or prompt delivery.

New orders for metals and heavy industrial equipment declined slightly in March and April. Wholesale food volume rose fractionally with a marked increase in the demand for canned goods and frozen foods. Textile order volume

### INDUSTRIAL PRODUCTION

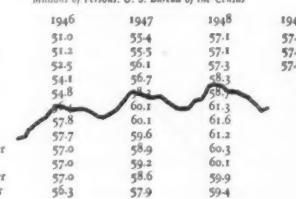
Seasonally Adjusted Index: 1935-1939=100; Federal Reserve Board



\* Approximation; figure from quoted source not available.

### EMPLOYMENT

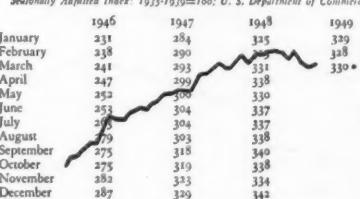
Millions of Persons: U. S. Bureau of the Census



Includes all civilian workers.

### RETAIL SALES

Seasonally Adjusted Index: 1935-1939=100; U. S. Department of Commerce



\* Approximation; figure from quoted source not available.

BUILDING PERMIT VALUES—215 CITIES

Geographical Divisions	March		% Change
	1949	1948	
New England.....	\$16,422,754	\$13,656,673	+ 20.3
Middle Atlantic.....	68,956,623	69,345,082	- 0.6
South Atlantic.....	26,727,236	25,099,432	+ 6.5
East Central.....	61,213,933	58,190,353	+ 5.2
South Central.....	44,758,058	64,201,452	- 30.4
West Central.....	20,739,274	17,895,915	+ 15.9
Mountain.....	8,929,708	9,221,686	- 3.2
Pacific.....	78,042,514	80,910,187	- 3.5
Total U. S.....	\$325,790,102	\$338,610,780	- 3.8
New York City.....	\$38,089,095	\$40,756,373	- 6.5
Outside N. Y. City....	\$287,701,009	\$297,854,407	- 3.4

BANK CLEARINGS  
(Thousands of dollars)

	March		% Change
	1949	1948	
Total 24 Cities.....	28,882,269	28,808,916	+ 0.1
New York.....	31,913,781	33,843,067	- 5.7
Total 25 Cities.....	60,796,050	62,711,983	- 3.1
Average Daily.....	2,251,706	2,322,666	- 3.1

More detailed figures for bank clearings, building permits, failures, new business incorporations, wholesale food prices, and wholesale commodity prices appear in DUN'S STATISTICAL REVIEW.

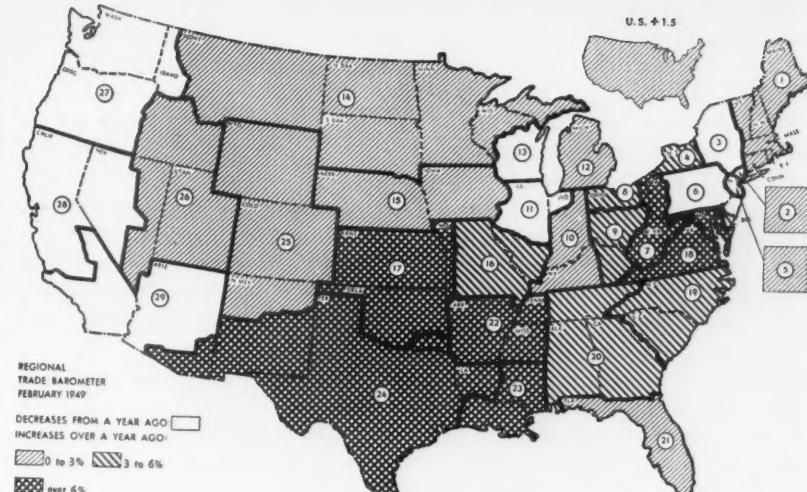
rose slightly, but it was moderately below last year's level.

**Retailing** With the approach of Easter and encouraged by mild shopping weather, consumers in most parts of the nation responded with increased enthusiasm to Spring promotions. According to the Department of Commerce, retail dollar volume rose more than 17 per cent in March to nearly \$10.5 billion. This was almost 2.5 per cent below the \$10.7 billion spent by consumers in March last year. In the first three weeks of April retail sales slightly exceeded those of a year ago; this largely reflected the occurrence of Easter three weeks later than in 1948.

Extensive seasonal promotions helped to arouse in most women shoppers the usual interest in Spring apparel. The demand for women's suits, millinery, and children's wear rose considerably. Men's suits and furnishings attracted moderately increased attention.

As warm weather arrived, consumer purchases of garden supplies rose markedly. Although volume in furniture and housewares remained moderately below the level of a year ago, interest in these items increased noticeably.

**Barometers** The DUN'S REVIEW Regional Trade Barometer, which measures consumer buying in terms of the 1935-1939 average level, dipped 0.9 per cent in March



TRADE ACTIVITY IN TWENTY-NINE REGIONS  
(1935-1939 = 100)

REGION	% Change from			REGION	% Change from		
	Feb. 1949	Feb. 1948	Jan. 1949		Feb. 1949	Feb. 1948	Jan. 1949
United States.....	286.1	+ 1.5	+ 0.7	15. Iowa and Nebraska.....	300.0	+ 1.0	+ 0.9
1. New England.....	216.6	+ 2.5	+ 0.9	16. St. Louis.....	292.8	+ 4.2	+ 8.2
2. New York City.....	238.6	+ 0.6	- 0.7	17. Kansas City.....	339.0	+ 10.2	+ 11.4
3. Albany, Utica, and Syracuse.....	277.5	- 4.4	- 0.1	18. Maryland and Virginia.....	296.9	+ 7.7	+ 7.6
4. Buffalo and Rochester.....	282.2	+ 3.0	+ 1.1	19. North and South Carolina.....	303.2	+ 4.3	- 0.2
5. Northern New Jersey.....	217.4	+ 2.1	0.0	20. Atlanta and Birmingham.....	374.2	+ 3.7	+ 3.8
6. Philadelphia.....	254.5	- 1.4	- 3.7	21. Florida.....	338.8	+ 0.1	- 3.0
7. Pittsburgh.....	264.8	+ 10.7	- 2.5	22. Memphis.....	337.2	+ 7.6	- 1.6
8. Cleveland.....	300.2	+ 3.4	+ 0.5	23. New Orleans.....	356.5	+ 13.6	+ 2.2
9. Cincinnati and Columbus.....	318.6	+ 5.3	+ 2.5	24. Texas.....	306.8	+ 8.0	+ 12.2
10. Indianapolis and Louisville.....	323.2	+ 2.9	+ 2.9	25. Denver.....	283.1	+ 1.2	- 1.5
11. Chicago.....	275.9	- 1.5	- 1.2	26. Salt Lake City.....	306.4	+ 0.3	- 3.3
12. Detroit.....	308.0	+ 2.7	+ 0.5	27. Portland and Seattle.....	321.0	- 3.3	- 0.7
13. Milwaukee.....	317.6	- 1.0	- 4.0	28. San Francisco.....	301.0	- 0.2	+ 2.7
14. Minneapolis and St. Paul.....	314.2	+ 0.8	+ 3.3	29. Los Angeles.....	300.1	- 4.3	+ 3.6

to 283.6 (preliminary). This was a 5.5 per cent decrease from the 300.1 of a year ago. The barometer is adjusted for seasonal variations and the number of business days in the month.

The February barometer of 286.1 indicated a very slight rise in trade during that month. It was 0.7 per cent above the January barometer of 281.8 of February 1948 by 1.5 per cent.

The barometers for a majority of regions slightly exceeded those of the previous month. The sharpest monthly increases occurred in the Texas Region (24) with a rise of 12.2 per cent and in the Kansas City Region (17) with a rise of 11.4 per cent. The largest monthly declines were 4.0 per cent in the Milwaukee Region (13) and 3.7 per cent in the Philadelphia Region (6).

More than half of the barometers exceeded those of a year ago. The most pronounced increase above the February 1948 level occurred in the New Orleans Region (23) with a rise of 13.6 per cent. The second largest increase

from the level of a year ago was that of the Pittsburgh Region (7) with a rise of 10.7 per cent. The largest decreases from the level of a year ago were 4.4 per cent in the Albany, Utica, and Syracuse Region (3) and 4.3 per cent in the Los Angeles Region (29).

The highest barometers, compared with the 1935-1939 average, were generally for regions in the Southern area. Very high barometers also occurred in the Great Lakes and Pacific Coast areas. The regions in the Northeastern part of the country generally had the lowest barometers. Large continuing differences in the barometers of various areas largely reflect war-time population shifts. They do not necessarily reflect short-term differences in trade activity.

**Failures** Business failures continued to increase in March, rising 24 per cent to 849, a post-war high. They were some 300 below the total reported in pre-war 1940. Casualties were almost 80 per cent heavier than in the comparable

month of 1948; in fact, they exceeded those in any other March since 1942.

DUN'S FAILURE INDEX, which represents the failure rate adjusted for seasonal fluctuations and projected to an annual basis, also increased considerably this March. Casualties occurred at a rate of 33 per 10,000 concerns in operation as compared with 20 a year ago. Despite this rise, the rate was only one-half as sharp as in 1940 when 61 per 10,000 succumbed.

Business failures are industrial and commercial enterprises which have discontinued operations with a resultant loss to creditors, businesses involved in court actions such as receivership, reorganization, or arrangement which may or may not lead to discontinuances, and businesses reaching voluntary compromises with creditors which become a matter of public record.

March failures involved total current liabilities of \$97,444,000, a volume exceeded only twice on record, in October 1948 and April 1932. One exceptionally large casualty inflated the liability total, but excluding this \$55 million failure, losses were the heaviest in any March since 1933.

In all size groups, the number of concerns failing rose 70 to 80 per cent above the 1948 level. Casualties involving liabilities between \$5,000 and \$25,000 numbered 422, the most of this size since 1941; they comprised almost one-

half the month's total mortality. A third of the failures, 285, had liabilities in excess of \$25,000, climbing to a sixteen-year peak for large casualties.

Current liabilities as the term is used in the Failure Record has a special meaning; it includes all accounts and notes payable and also all obligations, whether in secured form or not, known to be held by banks, officers, affiliated companies, or the Government. It does not include long-term obligations held by the public.

The majority, 64 per cent, of the failing businesses were initiated in the post-war period. First-year enterprises continued to comprise 14 per cent of the total, while concerns begun during the war accounted for 20 per cent.

Although failures increased considerably during 1948 and the first quarter of 1949, there was a rapid parallel growth of new businesses. An increase in failures is inevitable with an increase in the business population.

Among industries and trades, the sharpest relative rise in failures both from the preceding month and from March last year occurred in commercial service which had 89 as compared with 44 in February and 47 in March last year. In this division, twice as many transportation concerns failed as in the previous month and business and repair services also had marked increases.

Commercial service was the only in-

dustry group where casualties exceeded their pre-war volume. In one other group, manufacturing, where failures rose to 215, they equalled their pre-war level. Manufacturing casualties were most numerous in the lumber and furniture industry which reported 44, its highest number in some fifteen years, and in the machinery and textiles and apparel industries with 30 each.

Retail failures totalled 366 in March, rising from 318 in February and 194 in the same month of 1948. One-fourth were retail food stores; likewise, the increase in wholesale failures to 102 occurred largely in the food line where 35 failed, almost double the number in February.

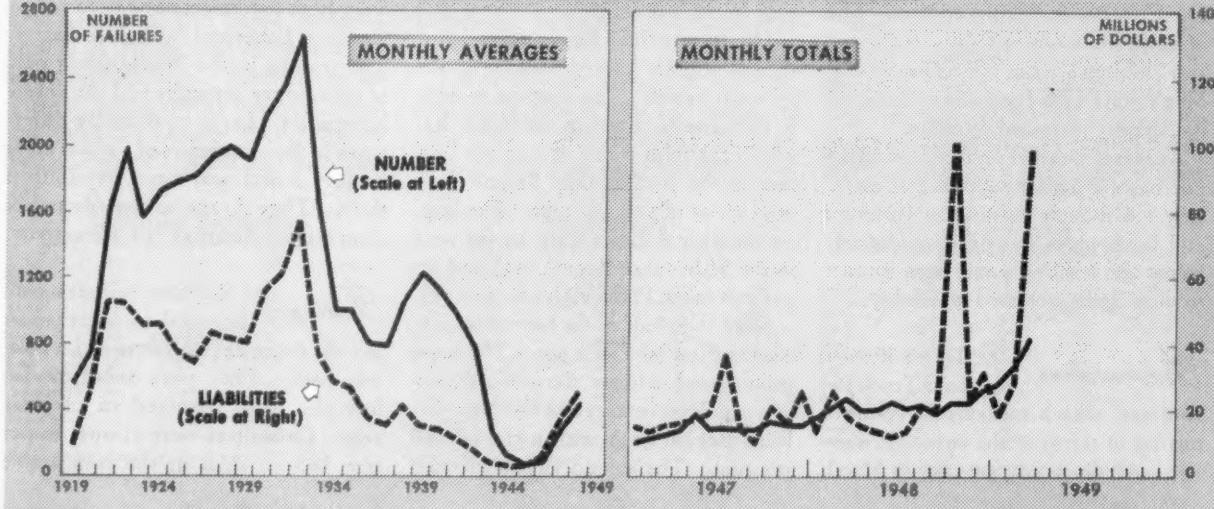
Another retail line with a sharp upturn in casualties was lumber and building materials with 27 as against 14 in the preceding month. In construction, building subcontractors accounted for over one-half the total failures; they were engaged principally in the plumbing, heating, and electrical lines.

Regional increases between February and March were mild except in the Middle Atlantic States. There, failures rose to 212 from 174, with most of the increase occurring in New York. In the East North Central States failures were up to 167 from 108; in the South Atlantic they rose to 82 from 55.

The Pacific States continued to re-

*An increase in business failures was inevitable in the period of very rapid business growth which followed World War II. While the business population has increased 34 per cent in the last four years, failures have been less frequent than in other periods when fewer new businesses were established. There were 20 failures for every 10,000 firms in operation during 1948, whereas the average for the last 29 years was 70 failures for each 10,000 concerns. As is usual, the majority of firms failing in 1948 were five years old or less. The figures are from DUN & BRADSTREET, INC.*

## COMMERCIAL AND INDUSTRIAL FAILURES



**TRUCKS THAT  
HAVE ADEQUATE  
PLATFORMS . . . ROOM  
TO MOVE AROUND IN  
. . . SAVE YOUR  
DOLLARS AND TIME!**

Today, with mounting costs all along the line, *loading platform congestion* is a serious problem. No matter how much money you pour into new tools and methods—inadequate shipping facilities will always eat into your profits.

Right now, make a study of your "bottleneck" areas. Minor remodeling can often take care of normal plant expansion for years to come.



**CONSULT YOUR TRAFFIC  
MANAGER, ARCHITECT  
AND ENGINEER**

**THE AMERICAN TRUCKING INDUSTRY**

AMERICAN TRUCKING ASSOCIATIONS, WASHINGTON 6, D. C.



*Think your  
company  
is fireproof?*

**MAKE THIS  
SIMPLE TEST  
AND SEE!**

Touch a flame to one of your ledger sheets or letterheads. Will it burn?

That's a little flame. Now suppose your entire offices were on fire—would these same records burn?

Naturally, if they are unprotected. Metal filing cases won't protect them for more than a minute or so.

*And they may not be protected even in your safe!*

**Here's why**—paper chars without being touched by flame when temperatures go above 400°. A safe that has been through a previous fire or burglary, or does not carry the label of the independent Underwriters' Laboratories, Inc., simply cannot be trusted. It may act as an oven and cremate its contents.

**4 out of 10 firms never reopen after losing their records!**



Mosler "A" Label Safe with burglar resistive chest for dual protection against fire and burglary.



Mosler Insulated Record Containers combine the convenience of a file with the safety of a safe—complete record protection.

That's why you should have the finest protection you can get for your records—a new Mosler "A" label safe, made by the world's largest builder of safes and vaults. Why take chances? See Mosler now and be safe!

Fill in coupon for the free record protection survey or the booklet, "What you should know about safes."

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port the second-largest total of any area, 189, but the rate of increase in this region was moderate in March. Of the total Pacific casualties, 158 were concentrated in California. Non-metropolitan failures continued to exceed those in the twenty-five largest cities, 510 to 339, but both areas showed about the same relative rate of increase from February and from March a year ago.

Among the cities, New York had twice as many failures as any other, 105 as compared with 47 in Los Angeles and 38 in Chicago. The uptrend from 1948 was very marked in New York.

## THE FAILURE RECORD

	Mar.	Feb.	Mar. P. C.
DUN'S FAILURE INDEX*	1949	1949	1948 Ch'get
Unadjusted .....	35.5	35.2	21.3 + 67
Adjusted, seasonally....	32.9	29.8	19.7 + 78
NUMBER OF FAILURES.....	849	685	477 + 78

NUMBER BY SIZE OF DEBT	1949	1948	Change
UNDER \$5,000.....	142	108	80 + 78
\$5,000-\$25,000.....	422	357	245 + 72
\$25,000-\$100,000.....	217	175	116 + 87
\$100,000 and over.....	68	45	36 + 89

NUMBER BY INDUSTRY GROUPS	1949	1948	Change
Manufacturing .....	215	170	136 + 58
Wholesale Trade.....	102	90	57 + 79
Retail Trade.....	366	318	104 + 89
Construction .....	77	63	43 + 79
Commercial Service.....	80	44	47 + 89

(Liabilities in thousands)

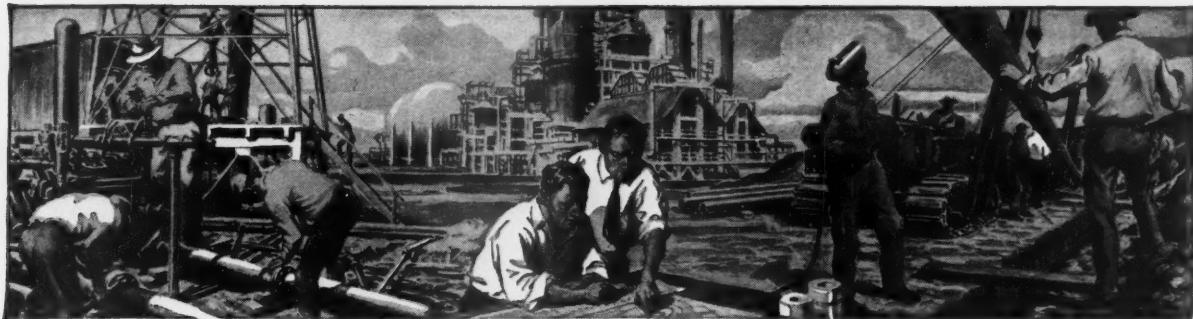
CURRENT .....	\$97,444	\$27,567	\$17,481 + 457
TOTAL .....	98,540	27,605	17,554 + 461

\* Apparent annual failures per 10,000 enterprises, formerly called DUN'S INSOLVENCY INDEX.

† Per cent change of March 1949 from March 1948.

## FAILURES BY DIVISIONS OF INDUSTRY

(Current liabilities in thousands of dollars)	Number		Liabilities	
	1949	1948	1949	1948
MINING, MANUFACTURING, .....	514	395	40,709	34,032
Mining—Coal, Oil, Misc.....	9	4	867	866
Food and Kindred Products..	50	41	3,115	2,250
Textile, Products, Apparel..	80	32	4,534	1,106
Lumber, Lumber Products..	90	65	7,095	2,767
Paper, Printing, Publishing..	23	12	734	562
Chemicals, Allied Products..	12	12	326	360
Leather, Leather Products..	25	15	774	562
Stone, Clay, Glass Products..	11	16	303	1,566
Iron, Steel, and Products..	34	22	3,434	3,603
Machinery .....	70	75	11,100	12,875
Transportation Equipment..	21	13	2,582	788
Miscellaneous .....	89	88	5,845	6,619
WHOLESALE TRADE.....	268	135	11,110	47,35
Food and Farm Products...	79	28	4,009	1,233
Apparel .....	12	4	308	175
Dry Goods .....	7	3	192	72
Lumber, Bldg. Mats., Hdwr..	27	12	1,176	476
Chemicals and Drugs .....	12	8	271	218
Motor Vehicles, Equipment..	15	7	489	303
Miscellaneous .....	116	73	4,674	2,258
RETAIL TRADE.....	512	17,838	9,061	
Food and Liquor .....	215	114	3,618	1,413
General Merchandise .....	46	26	565	327
Apparel and Accessories .....	142	90	3,290	1,712
Furniture, Furnishings .....	124	46	3,243	867
Lumber, Bldg. Mats., Hdwr..	66	31	1,172	558
Automotive Groups .....	73	49	1,206	936
Eating, Drinking Places .....	168	93	3,648	2,860
Drug Stores .....	22	8	411	108
Miscellaneous .....	101	55	1,665	1,051
CONSTRUCTION .....	103	88	7,386	3,764
General Bldg. Contractors..	83	33	4,053	2,683
Building Sub-contractors .....	101	50	1,803	944
Other Contractors .....	10	5	1,530	137
COMMERCIAL SERVICE .....	174	120	67,118	3,573
Highway Transportation .....	69	44	65,278	1,787
Misc. Public Services .....	1	5	75	164
Hotels .....	8	5	301	506
Cleaning, Dyeing, Repairs .....	21	8	255	265
Laundries .....	10	11	299	147
Undertakers .....	1	1	2	11
Other Personal Services .....	16	11	203	84
Business, Repair Service .....	48	36	705	620



# American Incident *-done in oil!*

THE WORLD TODAY is at grips over the age-old question whether rulers can plan the economic life of the people as well as the people themselves.

Dictators — Mussolini, Hitler, Stalin, *et al.* — substitute their edicts for economic law. Every "omnipotent state" must do that. Every effort has followed the same pattern since Hammurabi fixed prices 4000 years ago. First, more and more compulsion with greater and greater penalties. Then follows popular revolt, expressing itself in an acceptance of black markets, the last resort of people who have more respect for natural law in the market-place than in man-made law.

In America, we have gone on the principle that economic laws are discovered — not made.

Seldom has a nation had the opportunity to see demonstrated on such a large scale and in such a short period of time the workings of a free economy, — an incident falling naturally into the old American way of getting things done.

A YEAR AGO, there was fear of an acute shortage of oil and gasoline. Government agencies estimated the United States was 15 per cent short of crude oil to meet 1948 needs, and saw little hope of wiping out this deficit. There was even agitation in Congress to give the Executive the power to ration and fix prices. Only a miracle, it was said, could prevent widespread suffering.

What happened? Plenty of oil and gas. In fact, by the end of the year, 100,000,000 barrels of petroleum had been added to the stock piles of the nation, and proved reserves of crude oil and natural gas liquids were increased by two billion barrels, and natural gas by 8 trillion cubic feet!

IT WAS NOT A MIRACLE. On the contrary, it was the natural American way of guiding production and consumption by the free operation of the price mechanism.

The anticipated shortage caused competition to bid up prices of crude oil. This created greater incentive to discover and produce crude, but incentive, however

great, is not enough. There must be the cash or credit to furnish the wages and tools for the expanded activity.

Without the profit incentive and the profits of earlier years it would have been impossible for the oil industry to convert an economy of scarcity in 1948 to one of plenty today in 1949. Furthermore, just as rising prices automatically stimulated production so today excess production swings the price pendulum downward.

Economic law, unhampered, thus works day and night to bring back the balanced economy toward which it is always striving. It has never been done by Executive Order.

*You can't "putsch" oil around — nor men of spirit!*

CITIES SERVICE played its part in this transition from scarcity to plenty. As a result, you, the public, were able to buy — and you did buy — more Cities Service products and services than in the previous year, in fact, a total of \$593,000,000 worth.

In order to do this Cities Service increased its production of crude oil by 10%.

It refined 72,000,000 barrels, an increase over 1947 of 10%.

It furnished customers 372 billion cubic feet of natural gas, an increase of 17%.

Its sales of electric energy were just short of 3 billion kilowatt hours, an increase of 12%.

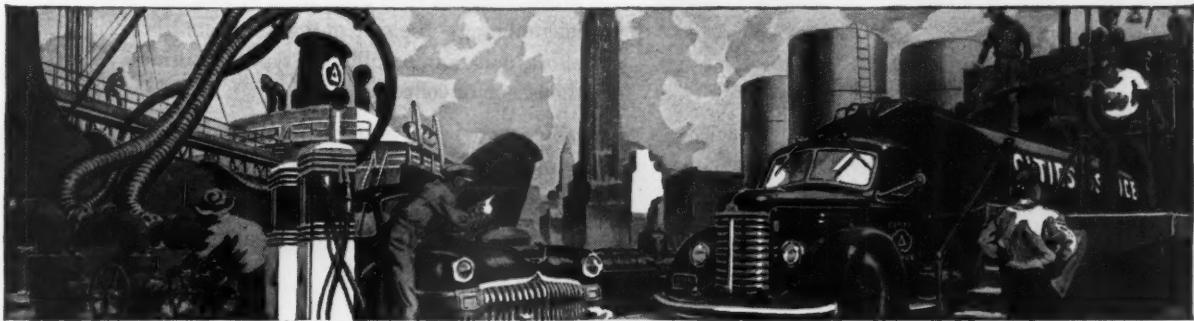
IN SPITE OF these increased activities, Cities Service carried forward its program of development and expansion, investing \$112,000,000 in 1948. Stimulated by the free air of American endeavor, unhampered by totalitarian "planning", it is getting ready for further demands of the public for oil, gas, and electric power. It also added to its financial resources in order to meet those demands.

This Company believes that the United States of America under the free enterprise system is still a going concern, and proposes by precept and example to do its part in keeping it so.

## Cities Service

W. ALTON JONES, President

A more detailed account of the "American Incident" is given in the Company's Annual Report to stockholders, a copy of which will be sent upon request. Address, 70 Pine Street, New York 5, N. Y.



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Recordak microfilming . . .**



**you can record 7,000 letters  
on one roll of film**

**Before**—3,000 letters on a 100-ft. roll of microfilm was news!

**But now**, you can more than double this total with the new Recordak Triplex Microfilmer.

*More than double it* because this versatile machine photographs your letters or office records at greater reduction . . . records them on half the width of the film—down one side, up the other. It does this as fast as you can feed—60 or more documents per minute, by hand . . . up to 125 per minute with the new Recordak Automatic Feeder.

Thus, Recordak microfilming becomes even more economical than before—7,000 letter-size documents, *now*, on a \$3.90 roll of film. A roll so small that it can be filed at your finger tips in one per cent of the original storage space . . . ready for immediate reference in the Recordak Film Reader.



**More reasons** than ever, now, to look into Recordak microfilming—the system that for years has been saving time, effort, dollars in 65 different types of business . . . in thousands of concerns.

For more information, write Recordak Corporation (*Subsidiary of Eastman Kodak Co.*), 350 Madison Ave., New York 17, N.Y.

**RECORDAK**

(Subsidiary of Eastman Kodak Company)

Originator of modern microfilming—and its application to business systems.

"Recordak" is a trade-mark

# HERE and THERE . . . in Business

**W**HETHER YOU MANUFACTURE, JOB, OR SELL AT RETAIL AT LEAST ONE OF THESE SIGNIFICANT NEW DEVELOPMENTS IN THE INDUSTRIAL AND COMMERCIAL FIELDS SHOULD HAVE SOME APPLICATION TO YOUR BUSINESS. ITEMS CONCERN BOTH NEW AND IMPROVED EQUIPMENT AND METHODS.

**Television for Business**—Wired television, which served the United States Army during World War II in directing guided missiles and for disassembling bombs by remote control, now offers numerous commercial and industrial applications. The readily portable equipment, developed by

dow shoppers to see fashion shows or other activities in various parts of the store, Vericon may be used for merchandising as well as to promote television receivers for the home.

A major commercial application is for record control. By employing this equipment it is possible to keep all



RUSSO PHOTOGRAPHER

Remington Rand, Inc., is known as "Vericon."

Time and motion study is facilitated with Vericon as is the examination of batches in the food and process industries. Another important application is in the remote observation of hazardous operations. An aircraft company already has realized large savings in connection with a new motor. Through the use of this equipment an explosion was averted.

A department store plans to install wired television to prevent shoplifting and by permitting customers or win-

*Operation of the Vericon wired television camera as it might be used in teaching apprentices who would watch it from a classroom screen instead of crowding around the bench in the factory.*

records in a central filing room and to televise them where desired. Such facsimile use also is of value in transmitting messages of any type. If a copy of the record is wanted in any department it can be taken off the television screen.

*Cast iron which can be twisted has been developed by the Research Laboratories of the International Nickel Company, Inc. This piece of the new ductile iron has received simple annealing.*

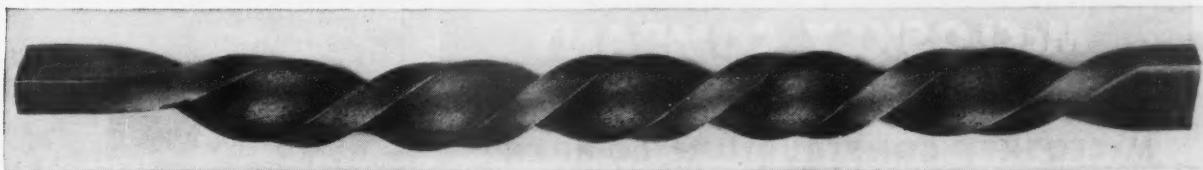
**Ductile Cast Iron**—A new metal in between cast iron and steel and offering advantages of both is being licensed for production by the Development and Research Division of the International Nickel Company, Inc. This, the company reports, combines the fluidity, castability, and machinability of cast iron with the elasticity, high strength, and a substantial amount of the ductility found in steel.

Added in the form of nickel magnesium, the amount of alloy needed to convert gray cast iron to ductile cast iron is a relatively small quantity, usually considerably less than 2 per cent. The cost of ductile iron is so moderate that it is possible to put cast iron to many new uses.

A group of foundries ranging from small plants processing only two tons a day to shops handling many hundreds of tons has been licensed to produce the metal. Their products range from piston rings .120 inches thick to rolls for use in the wrought steel industry. None of the foundries are spending any money for additional capital equipment in connection with this process.

The new metal afford important savings of material in big pieces. For example, a section of 36-inch cast iron pipe 18 feet long weighs 7,000 pounds. With ductile iron it can be reduced to 5,400 pounds.

Other applications include railroad car wheels; ingot rolls; rolls for steel, rubber, non-ferrous metals, and plastics; parts for dies; and automobile, tractor, and truck parts (including crankshafts, cylinder blocks, flywheels, and so on).



# Custom-made

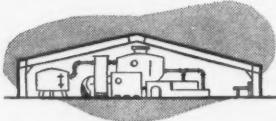
*Custom-made* best describes the type of single story building you get with McCloskey Company complete construction service.

You can have any width aisle without interior columns—any length—any combination.



We use our exclusive Rigidsteel design. It employs a rigid frame—no overhead trusses.

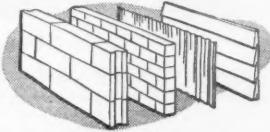
Clear overhead space is provided for conveyor systems, machines, storage space—without extra height at eaves. You have less waste space to heat.



McCloskey buildings can be built to provide for extra heavy crane loads. The cranes can be suspended from any point on the frame.

This design is particularly suitable for meeting extreme corrosive conditions as in chemical and fertilizer plants. The simplicity of the frame makes it easy to protect with special coatings and paints. Maintenance is reduced.

We provide any type cover—brick, concrete block, wood, stucco, sheet metal, asbestos, or a combination of these.



We do all engineering—turn over to you a completed building.

Your building will be custom-made—meet all special conditions—yet by using McCloskey designs and methods construction is fast and saves you money. Wire or write today.

**McCLOSKEY COMPANY**  
OF PITTSBURGH

**MCCLOSKEY CONSTRUCTION COMPANY**  
3402 LIBERTY AVENUE • PITTSBURGH 1, PA.

By incorporating a nickel-magnesium alloy in the molten iron, it is possible to bring about the formation of graphite in the form of spheroids which add to its strength. Gray cast iron includes graphite in the shape of flakes which are primarily responsible for its relative brittleness and low strength. With the elimination of the flakes, the low cost iron produced has physical properties formerly only available with cast steels.

The process is applicable with practically all the basic types of cast iron, including hypo- and hypereutectic, ferritic, pearlitic, acicular, and austenitic varieties

**Grease Solvent**—Machinery and parts which have been grease-coated for storage may be easily restored to service through a new cleaner which eliminates the need for scraping. Manufactured by the Penetone Company, Tenafly, N. J., "Buxite" combines solvent and emulsifying action.

Buxite is brushed over the entire area to be cleaned. Penetrated and loosened by the solvent, the grease is hosed off with steam and detergent.

## A FAMILY MATTER

*Ye Satevepost* of the City of Brotherly Love was founded by Benjamin Franklin, whose sister's niece, Sarah Homes, was the grandmother of Lewis Tappan, founder of *Ye Mercantile Agency*, now cylept DUN & BRADSTREET, INC.

It is therefore a matter of joyful family interest to record that there is a two-part article in *Ye Saturday Evening Post*—May 7 and May 14 issues—entitled "They Keep an Eye on You," which presents a popular version of how DUN & BRADSTREET in motion looks to Rufus Jarman, the invading staff reporter from Independence Square in Philadelphia.

Ring out ye Liberty Bell with the wise-crack that Lewis Tappan's child, which was founded in 1841, is reported in detail (some 15,000 words) by his maternal ancestor's weekly paper.

Read this suburban journal's lively account of THE MERCANTILE AGENCY and pass the copy along to friends and neighbors with the comment, "They've finally landed in *The Post*, and in two parts."

# REDUCE COSTS!



It's a MITER SAW

## REPLACE OUT-MODED EQUIPMENT



It's a BAND SAW

Why clutter-up your saw-shop with many single-purpose machines when you can reduce costs by using an all-purpose DeWalt?



It's a CIRCULAR SAW

This one machine actually does the work of many. In less than a minute, you change the cutting tool on a DeWalt, and you have another machine!



It's a ROUTER

DeWalt uses little floor space. You can use the space DeWalt saves for more efficient materials handling and other cost-reducing purposes.



It's a PLANER

DeWalt is fast... accurate... easy to operate. It is safer, too, than the outmoded equipment commonly used before streamlined DeWalt replaced it.

There is a low-cost DeWalt for every cutting need — from  $\frac{1}{4}$  H.P. to 10 H.P. Every model is a quality tool. Write for catalog. DeWalt, Inc., 85 Fountain Avenue, Lancaster, Penna.



It's a COMBINATION SAW

with this  
ALL-PURPOSE  
**DEWALT**



ALL THESE AND MORE  
IN ONE... and-for  
THE PRICE OF ONE!

# DEWALT

THE COMPLETE SAW-SHOP IN ONE MACHINE!



## ATLAS HAD A CINCH

**U**NLIKE Atlas, the railroads of the United States carry no mythological burden. But they do labor under a mass of taxes, government restrictions, and subsidies to competitors that threatens to make a myth of the whole American system of free enterprise.

A strange series of circumstances proves that nationalization is no mythical threat. As railroads pay their own way, the local, state, and national governments seize upon them as a wonderful source of tax revenue—revenue to subsidize a new super-highway for buses...to subsidize an ultra-modern airport for the airlines...to subsidize new terminals for trucking...to subsidize new canals for barge shipping. THESE SUBSIDIES MEAN THAT GOVERNMENT IS ALREADY IN THE TRANSPORTATION BUSINESS.

The competitors of the railroads thrive on this sort of treatment, of

course, and the railroads, struggling under new and more rigid restrictions, may well heed this comment of a key government official:

*"Railroads are closer to nationalization today than they have been for 25 years."*

The Federation for Railway Progress knows that this is no mythical threat. It is a real challenge to the American public, the businessman, the railway supplier, the employee, the investor, and management. The Federation was organized to bring all of these elements of American free enterprise together to stave off the threat of railroad nationalization and—what must necessarily follow—the nationalization of the whole American economy.

With your support, this modern Atlas can make the nationalization threat what it should be...AND MUST BE—A MYTH!



## FEDERATION FOR RAILWAY PROGRESS

Robert R. Young, Chairman

Thomas J. Deegan, Jr., President

### PUBLIC ADVISORY COMMITTEE

Dorothy Draper  
William F. Halsey  
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Allan P. Kirby  
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Phillip F. LaFollette  
M. Lincoln Schuster

For detailed information of Federation activities and membership classifications address—  
1430 K Street N.W., Washington 5, D.C. Executive 7040

**Robot Salesman**—Automatically set in operation, the "Electronic Narrator," devised by the General Electric Company, will repeat a message an infinite number of times.

Applications are seen in advertising, such as installations in vending machines to advertise other products; merchandising; industrial safety, conveying warnings in hazardous tasks; and public safety.

The machine employs a continuous loop of magnetic tape which provides for approximately two minutes of recording or playback time.

**Working Model**—Applicable to other types of machinery is a cut-away working model constructed of heavy cardboard and plastics (5½ by 8½ inches) demonstrating the operation of the Hydrovac power brake, made by Bendix Products Division, Bendix Aviation Company, South Bend. This is suitable for promotion or instruction.

**Truck Conveyor**—Ease and safety in moving standard four-wheel trucks or two-wheelers with dollies around the factory or warehouse is provided by the "Towveyor," manufactured by the Jervis B. Webb Company, Detroit.

A continuous chain conveyor runs in a deep steel slot below the floor. This mode of installation protects the chain and keeps the floor free of obstructions.

A simple towing pin device is bolted to the end of the truck. Trucks are put in motion by dropping the pin into the slot. One of the pusher dogs, spaced at frequent intervals along the chain, engages the pin. Disengaging is accomplished by lifting the pin.

The Towveyor chain is looped around  
(Continued on page 38)





# skylines... by Otis

**Washington, D. C.** In 1791, Major Pierre Charles L'Enfant, a young French engineer, stood on the banks of the Potomac with George Washington and envisioned the world's most beautiful capital. "... and there shall be a mile stretch between the Home of the President and yonder hill . . . and the stretch will be a scene of great beauty with mansions . . . gardens . . . sloping lawns . . . a great temple . . ." L'Enfant's original plan has been expanded into today's historical skyline wherein 63% of all the elevator installations are by Otis.

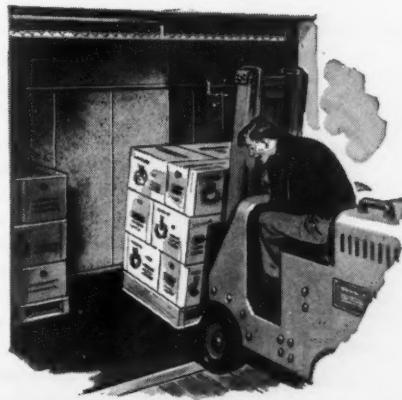
## A NEW SLANT ON ELEVATORING.

To give unbroken floor space throughout the George Washington Masonic National Memorial in Alexandria, Virginia, the architects have provided two slanting hoistways for Otis elevators. The cars move sideways 35 feet as they rise 234 feet from the main floor to the observation platform.



## LIKE A BUS.

An apartment house elevator should not play favorites. It shouldn't operate as an express for one tenant and bypass others. Like a bus, it should always stop for every passenger going in its direction—just as it does with Otis Full Collective Control.



## WATCH THAT FRONT WHEEL.

It's approaching an Otis Pow-R-Truck elevator platform. When the wheel rolls onto the platform it won't jolt the truck, the load or the elevator structure. And for good reason: Otis Two-Way, Self-Leveling for freight elevators keeps the platform level with the landing. It smooths the way for materials handling and shifts unnecessary breakage and maintenance losses into the profit column.



## ELEVATOR COMPANY

Home Office: 260 11th Ave., New York 1, N. Y.

Otis all-purpose electric Dumbwaiters lift 100 to 500 pounds at speeds up to 150 feet per minute. Write for Bulletin B-453-D.

**Burroughs**

*Bell & Howell*

*Look to these names for Leadership  
in the*

# AGE OF MICROFILM

*Easy to Photograph!*



The Bell & Howell Recorder permits 8mm images on 16mm film for double economy . . . can photograph both sides of a document simultaneously . . . can place on one 100-foot roll of film a greater number of images than was formerly possible. Documents can be fed by hand, or with automatic feeders, at speeds never before possible. Anyone can operate the recorder with a few minutes of instruction.

*Easy to Read!*



The Bell & Howell Reader is a marvel of simplicity for showing a clear, readable image—enlarged to the actual size of the original document, or larger—even when used in a brightly lighted room. While seated at the reader, the operator can rewind, focus, scan and load films quickly and easily. Photographic facsimiles, to actual size, can be made in a few minutes without the use of a darkroom.

W H E R E V E R T H E R E ' S B U S I N E S S

Burroughs and Bell & Howell have joined forces to bring business the full advantages of a highly versatile, very economical business tool . . .

It is *microfilm*, the logical successor to the vast bulk of paper documents, in transit and in storage, on which most businesses depend for the record of their transactions.

Microfilming, as accomplished by modern Bell & Howell equipment and applied to business needs by trained Burroughs representatives, offers impressive benefits. It saves space—can be stored in 1/100 of the space required by original documents. It saves time—replaces laborious duplicating of records with split-second photography. It eliminates errors—is photographically accurate.

Burroughs offices can now offer the most practical microfilming assistance. Bell & Howell microfilm equipment, built to standards of precision and dependability that have made Bell & Howell the recognized leader in the field of photography, is advanced in design, simple in operation. Burroughs counsel and cooperation is founded on complete familiarity with business procedures, providing careful integration of microfilming into the over-all business system. And Burroughs worldwide service organization gives final assurance of continuing, continuous microfilming satisfaction through efficient equipment maintenance and prompt film processing.

Bell & Howell microfilm equipment is now distributed and serviced exclusively by Burroughs. Your Burroughs office will be glad to discuss the application of microfilm to your business needs.

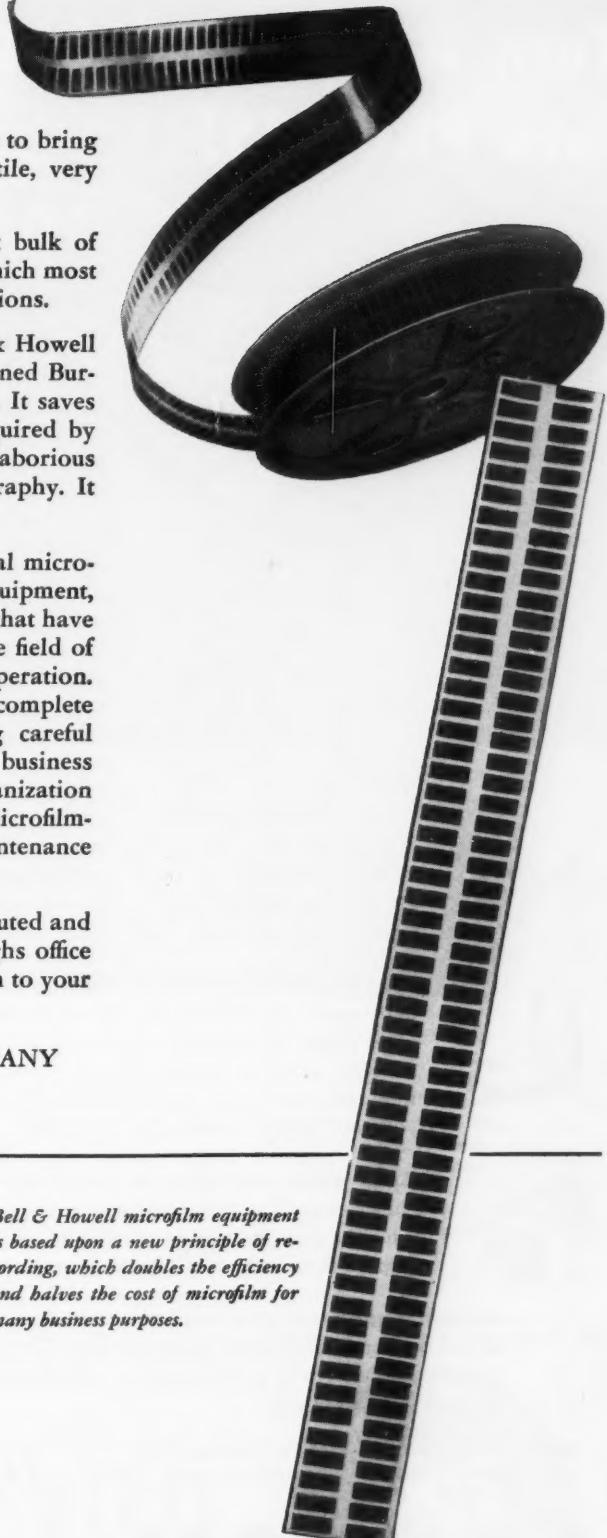
BURROUGHS ADDING MACHINE COMPANY  
DETROIT 32, MICHIGAN



## Quick Processing!

Exposed spools of microfilm are quickly and efficiently developed at Burroughs processing centers and promptly returned for immediate use. Large volume users who prefer to develop their films on their own premises find the Bell & Howell Automatic Processor simple and easy to use. It's fast, too! In a few minutes, a roll of film is processed, dried and spooled, automatically.

*Bell & Howell microfilm equipment is based upon a new principle of recording, which doubles the efficiency and halves the cost of microfilm for many business purposes.*



S T H E R E ' S

# Burroughs

# Turn WASTED DOLLARS into PROFITS!



**With operational costs at an all-time high,** management is turning to Lamson Pneumatic Tubes to eliminate three costly operational wastes: messenger salaries, production delays, wasted steps. And the reasons are obvious.

**Lamson Pneumatic Tube System** is a network of light metal tubes that connect all points within your plant or business offices. In a matter of seconds, speedy carriers rush papers, memos, mail, telegrams, etc. from one point to another . . . and deliver them intact and safe.

**As a result,** employees are rarely absent from their desk or benches. Messengers are eliminated. And the coordination of production with flow of papers eliminates costly production delays.

**Lamson Engineers** can install Lamson Pneumatic Tubes in one or more buildings at moderate cost. They actually pay for themselves in a short time . . . assure continued savings year after year.

**WRITE** for free booklet—*Wings of Business*. Shows how Lamson Tubes are adaptable to your plant or offices.

# LAMSON

C O R P O R A T I O N  
4300 Lamson St. Syracuse 1, N.Y.  
Offices in Principal Cities



the warehouse or other area to be served and trucks may be engaged or disengaged at any point. Ball bearing wheels on the chain allow speeds as high as 100 feet per minute.

**Handbook for Executives**—Aldens, Inc., Chicago mail order house, provides a booklet for new executives (16 pages, 5 3/8 by 7 1/2 inches) which not only describes the management set-up and explains company policies, but stresses the human factors in relations with subordinates which are instrumental in creating real leadership. Public relations likewise is emphasized.

Executives are cautioned to bear in mind that all of their fellow workers are entitled to friendliness and respect, not just the important people. They are urged to be genuinely interested in other people and their problems and not to waste time and opportunity in trying to appear bigger by making the other fellow feel smaller.

Executive personnel likewise are asked to remember on the outside that they are part of the Aldens family and to consider the possible far-reaching consequences of disparaging statements about the company or of careless answers to questions concerning it. They also are encouraged to meet people outside of Aldens engaged in the same kind of work, to join and be active in a trade association, and to enter community affairs which will advance the company's interests.

**Read on the Run**—Recognizing acute alcoholism as a disease, the Consolidated Edison Company of New York is retiring afflicted employees for disability . . . The American Casualty Company of Reading, Pa., is setting a precedent by issuing standard accident insurance policies to blind persons . . . A bus line in London, England, has shifted its route to afford more privacy to a newly-wed couple who complained that upper deck passengers were peering into their windows . . . No longer all work and no play for secretaries: new Columbia records played during their free periods on SoundScriber transcribing equipment bring the latest in dance band recordings . . . Pace Press, New York, recently distributed to leading metropolitan printing buyers a direct mail piece, 48 by 71 inches.

# Cross a bridge and make a wish —this wish:



NEXT TIME you save ten or twenty or fifty miles of driving by taking the short way over a bridge—give a thought to the days when the bridge wasn't there, when people had to take the long way around.

Right then would be a good time to make your wish . . . a wish that America will always have engineers able to plan and build these amazing structures, and public officials with imagination to foresee the public need.

And right then, too, would be a good time to be glad that America produces more steel than any other country in the world.

Brains and steel. These are two vital

ingredients for building a better America. If you could visit all parts of the nation today, you'd see steel being used to build literally hundreds of bridges. Many of them are projects that have been waiting since before the war.

But the call for steel goes up from dozens of other quarters, too. Nothing else can take its place. Steel for housing . . . for sewage disposal plants . . . for automobiles . . . for roads . . . for badly needed railroad equipment. Never before has there been such constructive need for steel.

United States Steel plants are working at top capacity to do their full part in meeting this unprecedented demand.

And the 900 million dollar United States Steel improvement program currently going forward is adding still more steel-making capacity to serve the nation. Scientists in United States Steel research laboratories continue their work of creating better, stronger steels—so as to make every tongue give the utmost service.

Helping to build a better America is the number-one job of United States Steel.

*This label is your guide to quality Steel.*

UNITED STATES STEEL CORPORATION SUBSIDIARIES

## UNITED STATES STEEL



*Helping to Build a Better America*



Listen to . . . The Theatre Guild on the Air, presented every Sunday evening by United States Steel. American Broadcasting Co., coast-to-coast network. Consult your newspaper for time and station.

## BUSINESS IN MOTION

*To our Colleagues in American Business . . .*

There are many common objects which we all see almost daily. Because they are so familiar we take it for granted that they have reached final perfection. Frequently, however, this is far from being the case. An example can be found in the 2½ gallon fire extinguisher, found for years in almost every factory, school, and office. Countless fires have been put out with it, and lives, buildings, jobs, money saved. Some time ago an important maker of this type of bottom-up extinguisher decided that the latest technological developments should be put to work in both the production and design of this important device. To this end, a complete re-study of possible machines, methods, materials, and design was ordered.

These extinguishers for many years had been made largely by riveting, and soldering was used to produce tight seams. There was much hand work, which it would be desirable to reduce. Modern seam-welding techniques seemed indicated, plus mechanization of other steps, and an increased use of conveyor systems. Such an extensive program as this required careful consideration of the relationships among design materials, methods and machines. It was early decided to switch from the traditional copper to the newer and much stronger silicon bronze, which can be resistance-welded easily. The maker and Revere collaborated closely, and jointly worked out the time, temperature and pressure requirements for clean, sound welds. Revere also established the proper tempers for the body sheet so that it withstands more than the Underwriters' test pressure, but nevertheless is easily formable into a cylinder with beads that locate the top and bottom domes. Similar specifications were



written for the sheet to be drawn into those domes, and even their design was studied and recommendations made. The extinguisher manufacturer, for his part, either disposed of old machines, or rebuilt them, and in addition bought much new equipment, some of it on special order.

This program involved one of the most complete renovations of plant and product which Revere has ever observed, and Revere considers itself fortunate to have been permitted to collaborate so closely. We were able to place at the service of our customer the accumulated knowledge of our Technical Advisors, the welding section of the Research Department and in addition called upon three of the

Revere mills for practical suggestions. Revere's final step came when a number of the first extinguishers off the production line were tested in the Research Laboratory to make sure that the recommended annealing practices were adequate.

The report given here is necessarily condensed. Actually, the work occupied many months, and included a large number of conferences, much correspondence, and thorough testing of methods. That it all was supremely successful is shown by the results: a fire extinguisher that is 4½ pounds lighter, greatly improved in appearance and design, and produced with greater speed and economy.

This outstanding example of the benefits received when a manufacturer and a supplier collaborate closely is not unique. A pooling of knowledge toward a common end goes on constantly in every industry. Revere suggests, therefore, that no matter what it is you buy, you give your suppliers the opportunity to give you their experience as well as sell you their materials.

### REVERE COPPER AND BRASS INCORPORATED

Founded by Paul Revere in 1801



Executive Offices:

230 Park Avenue, New York 17, N. Y.

## MY LIFE

(Continued from page 13)

centrated, and the same investment in platinum.

In the beginning I had some trouble with the workmen to get them to do it. They claimed that it was impossible. I did the work myself for 24 hours on end to demonstrate that 200 carboys per day could be concentrated. I then put the men on a piece-work rate, basing their existing wage on an output of 150 carboys per day and telling them that we would give them a bonus for every additional carboy obtained. I also said that I would personally guarantee that this piece-work rate would never be cut, no matter how much they might increase the output by hard work.

It was a most profitable investment for the company. It also enabled me to put other piece-work rates in on the same general principle and obtain the heartiest co-operation of the workmen in getting a maximum output of the apparatus. I, of course, never established a rate until I had made a most careful study of the possibilities of the job and invariably worked one or two shifts myself in order to be sure that there was no monkey business going on.

One of the things that made it possible for the men on the platinum stills to get the maximum output was an automatic density regulator, which I invented and patented. It achieved much closer control than the previous hand regulator, and left the workmen free to force the fire to the utmost. The result was that wages were doubled from about \$18 per week to about \$36.

When the Board of Directors heard of this, one of them said I ought to cut the rate, that it was altogether too high. I replied that the change had been very profitable to the company and had been made possible by my promise to the men that they could feel perfectly safe in doing their utmost, as I promised them that no matter how much they earned, the rate would not be cut. I told the directors that if they insisted on a cut I would immediately resign from the company as my usefulness would be gone. The matter was dropped and the rate was never cut.

About this time the use of alum was being superseded by sulphate of alumina, particularly in paper making. We



## after your next raise...

### ...will you still be broke?

ONE of the tragedies of business is that so many executives and promising young men just manage to scrape by year after year regardless of how much money they make.

Often, men of inferior ability and earning power are better off financially — better able to provide for their families and meet emergencies.

The reason, of course, is that some men fail in understanding the all-important fundamentals of intelligent buying and saving. They are defeated by budgets and sound financial planning.

That is why the Alexander Hamilton Institute's executive-training program includes material on *personal finances* —in addition to complete coverage of all the major departments of business.

Money worries cloud a man's judgment. They're emotionally upsetting. Enemies of clear thinking.

It is, of course, true that before a man can save enough to attain financial security, he must make more money than is needed for mere existence. And the Institute's primary function is to enable him to do that by providing him with the knowledge and training required to handle an executive position. Both the ability to earn and the ability to save are important; both are emphasized in the Institute's program.

#### SEND FOR FREE BOOKLET

It is one of the fascinating delights of business to see what a single year can do in the lives of ambitious men working under systematic guidance. The Institute works no miracles, but it does provide a program so complete and



scientific that each day carries subscribers closer to their goal.

That program is outlined in a 64-page booklet aptly titled "Forging Ahead in Business." It was written for men who seek—not a magic formula—but a sound, realistic approach to the problems they face in trying to improve their positions and increase their incomes.

There is no charge for "Forging Ahead in Business" for the simple reason that it is worth only what you make it worth. Some men glance through it, and toss it aside. Others have found a fortune in its pages.

If you are willing to devote one short evening to the study of a plan that has meant rapid progress to thousands send for "Forging Ahead in Business" today.

Fill out and return the coupon below; your complimentary copy will be mailed to you promptly.



#### ALEXANDER HAMILTON INSTITUTE

Dept. 676, 71 West 23rd Street, New York 10, N. Y.  
In Canada: 54 Wellington Street, West, Toronto 1, Ont.

ALEXANDER HAMILTON INSTITUTE  
Dept. 676, 71 West 23rd Street, New York 10, N. Y.  
In Canada: 54 Wellington Street, West, Toronto 1, Ont.

Please mail me, without cost, a copy of the 64-page book—  
"FORGING AHEAD IN BUSINESS."

Name .....

Firm Name .....

Business Address .....

Position .....

Home Address .....

New Raymond E. Baldwin Bridge, connecting Old Lyme and Old Saybrook where the Connecticut River flows into Long Island Sound. Project Engineer for the State—Col. Howard S. Ives.

## How to assure non-skid toll collections

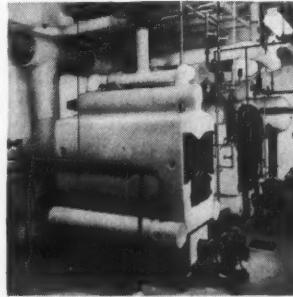


Roadway, morning after a storm. Clear sections remained free of snow all during the storm; roadway in the foreground though scraped, is still covered with ice patches.

**DISCONCERTED**, to say the least, is the motorist who slides through a narrow toll gate on smooth-as-glass ice. A novel radiant heating installation eliminates this menace to motorist, attendant, fenders and toll house on this new bridge.

An oil-fired No. 240 Mills boiler in the nearby Administration Building supplies hot water which circulates through pipes embedded in the roadway adjoining the toll booths, melting ice and snow and keeping the roadway clear. The oil burner operates only during icing periods; at other times anti-freeze protects the system.

Unusual applications like this prove the versatility and dependability of Smith-Mills boilers . . . and their ability to deliver lowest-cost, efficient heating year after year. You're sure of satisfaction when you specify a boiler built by H. B. Smith.



Boiler room in Administration Building. The No. 340 Mills heats the building. Heating Contractor—William M. Ford; H. B. Smith Distributor—Marsden and Wasserman, Inc., Hartford, Conn.

**H. B. Smith**  
CAST-IRON BOILERS  
THE H. B. SMITH CO., INC., 62 MAIN ST., WESTFIELD, MASS.  
Offices and Representatives in Principal Cities

were making at that time a very low grade of sulphate of alumina. I learned that hydrate of alumina of great purity was being manufactured in Germany and I was able to get samples from Giulini Brothers of Ludwigshafen. This gave such promising results in the laboratory that I immediately ordered a barrel, and this was followed by an order for 50 tons which enabled us to start in the business of manufacturing "Merrimac Porous Alum."

### Investigating a New Process

This business grew very rapidly for the next two years, and I felt that we ought to try and get into the manufacture of hydrate of alumina ourselves. My father, who was vice-president and superintendent of the company, went abroad in the Summer of 1892 to see what he could find out, but this process was regarded as highly secret and no one was admitted to the works. But Dr. Lunge, the great authority on sulphuric acid manufacture, gave him the name of Dr. Bayer as the inventor of a new hydrate of alumina process, which seemed to possess great merit. It was being operated in Russia.

Finally the directors of the company ordered me, in April 1893, to investigate the process and, if I thought it satisfactory, to enter into a contract. I was then 24 years old and had never been outside of the United States. The plant was located in Elabuga in the Province of Viatka, up in the foothills of the Ural Mountains, and belonged to P. K. Ushkoff and Company.

Within a week of receiving my first intimation about going I was actually on the steamer, and in 14 days I was in Moscow. I had bought a Russian grammar, Russian-English dictionary and phrase book. About four hours' concentrated effort mastered the alphabet and I could spell out Russian words and give them a reasonable pronunciation because the Russian spelling is almost entirely phonetic. This enabled me to read the names on the railroad stations, streets, and to ask for simple things.

Everywhere, as soon as my fellow passengers realized that I was an American, they would do anything to assist me, saying, "We can never forget the kindness and generosity of your fellow citizens at the time of our great

famine. You were the only nation in the world that came to our aid."

On arriving at the Moscow office of Ushkoff and Company, they gave me an envelope with someone's name on it, and said on my arrival at Nijhni Novgorod I was to hold it up and wave it and the messenger from their Nijhni office would do likewise with a similar envelope with my name on it. This method of identification worked instantly and I was taken to the steamboat wharf where we boarded a luxurious river steamer for the trip up the Volga.

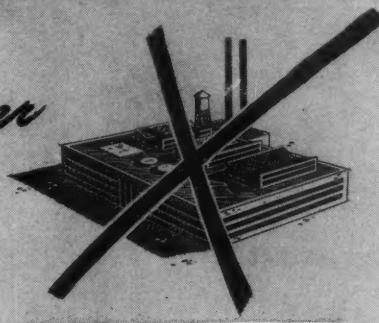
#### Russian Labor Conditions

The Ushkoff chemical works were located some 20 miles below Elabuga, and the steamer stopped at the landing there to allow me to disembark. I found Dr. Bayer waving from the wharf. He spoke English well, and as we drove to his house, said: "The labor conditions here are almost unbelievable. You see that gang of 20 men working on the road—they are receiving the equivalent of 7 cents a day a piece. Lead burners, carpenters, machinists, masons, and so on, receive 12 to 15 cents per day."

There was therefore little inducement to put in labor-saving machinery. In many cases it was cheaper for them to bail solutions with an iron pail from one tank to another than to pay the interest, depreciation, and obsolescence on the installation and operation of a pump and the more or less complicated system of valves and piping required to do the same work.

A few days later we received an invitation to dine with the Ushkoffs. This amazing family contradicted all my preconceived ideas as to what was possible in Russia under the Czars. I learned that Mr. Ushkoff's father started life as a peasant working as a laborer in the dye house of a large textile mill. Here he showed so much skill in mixing dyes that he was allowed to do it at a flat contract price for the whole mill, hiring his own helper, and in this way gradually developed his own chemical business.

His son, my host, had a fair education in Russian but knew nothing of any foreign languages. He was, however, an able and progressive chemical manufacturer and under his management the company had a rapid



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Failed*

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growth. The third generation was highly educated. Miss Ushkoff who sat next to me at dinner, spoke English perfectly. I never heard of her again until 40 years later in 1934, when I met a Russian portrait painter in Florida who had known the Ushkoff family. He said they had lost everything in the Russian Revolution, but that my dinner companion had left Russia earlier and was now the wife of the Director of the Boston Symphony Orchestra—Madame Koussevitzky!

It so happened that the next Summer, when we were at Seal Harbor, friends asked us to lunch to meet the Koussevitzkys. As I escorted Madame Koussevitzky to the table I asked if her maiden name was not Ushkoff and if she did not come from Elabuga. She was astounded. I had been told that Dr. Koussevitzky was never willing to talk about anything but music, but I can assure you that music was not mentioned at the thrilling and never-to-be-forgotten luncheon.

### The Plant Was Started

To return to Russia, I found the process most interesting and promising, but Dr. Bayer was so enthusiastic that he made guarantees as to yields and efficiency which could not possibly be carried out. However, after studying it for a week, I made rough plans and an estimate of the plant and cost of operation under American conditions. Realizing the importance of having the benefit of his experience, our contract provided that Dr. Bayer should come to Woburn to supervise the starting of the plant after furnishing us with complete plans and operating directions.

Dr. Bayer arrived in the Summer of 1894, and shortly afterwards the plant was put in operation. Then began one series of difficulties after another. The filtration proved particularly troublesome. The secondary, or clear filtration, as designed by Dr. Bayer, provided cellulose filters which had to be cleaned out and started fresh two or three times a day, with a very severe loss of both soda and alumina. It then occurred to me to replace the bulky cellulose filters by double filter cloths on a regular filter press, arranging for washing the press at frequent intervals with caustic soda, to redissolve any alumina that had been precipitated. This method was later

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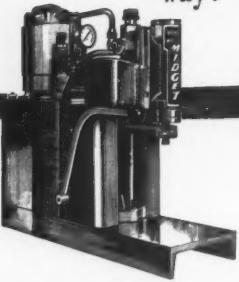
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adopted by all the plants in the world which used this process.

While we were still having the troubles with the filters, we were visited by Dr. Paul T. Heroult, who had invented the identical aluminum process in France which was invented by Hall in the United States. We found Heroult a most interesting man and gave him the benefit of all the experience that we had accumulated, as our plant was about six months farther along than the one he was building. He afterwards, in 1911 and 1914, reciprocated by giving me the entrée to all the Bayer process plants which were then operated by the Aluminum Française. It was a remarkable privilege and very valuable to the Merrimac Chemical Company.

#### Guaranteed Capacity Reached

Dr. Bayer, although a very clever research chemist, was not a good engineer or operator. He finally gave it up as a bad job, and went to France to see what he could do for Heroult. We had taken on a young chemist from Technology, J. C. Dickerman, whom I put in charge of the chemical control work on the Bayer process. I placed Mr. Thomas Shannon, foreman of the alum plant, in charge of operation, and as a result of their efforts and about two years' hard work of my own designing new apparatus, we finally got the plant operating up to its full guaranteed capacity.

By this time the Pennsylvania Salt Manufacturing Company was beginning to feel the competition from the alum which we were making from Bayer process alumina. They came to my father to see if we would design them a plant under the Bayer process patent, which we controlled absolutely for the United States. This we did.

The detailed plans were worked out from my sketches and according to my layout. When things were nearly ready I went to Natrona, Pa., taking with me the foreman, Tom Shannon, the chemist, J. C. Dickerman; and a complete skeleton crew from our own plant. In three weeks we had the new plant operating in full accordance with the guarantees we had made. This was a most gratifying performance to me and resulted in my receiving an offer to come permanently with the



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Pennsylvania Salt Manufacturing Company as superintendent of their huge Natrona works. I would have done this if it had not been for my wife and our family and circle of friends in Brookline and Boston. The result of this offer, however, was the almost trebling of the salary which I received from the Merrimac Chemical Company.

## FBI

(Continued from page 21)

ever changing. Not only must it keep staffed with alert, growing young men, but it must constantly train up and down the line for the job ahead. In the FBI training never ceases and it covers all the techniques of modern business such as office management, purchasing, personnel, auditing, accounting, research, and business organization.

For years now, the FBI has run one of the best short-course training schools in the world, the National Police Academy, for retraining local police officers. No wonder then that men who came from the Bureau now serve as directors of personnel and training for leading companies such as the American Airlines and Rexall Drug Company. The allied field of customer education is now opening in certain areas and Johnson & Johnson has a former Bureau man as director of trade and customer education.

Labor and industrial relations, closely allied to personnel, is another area in which former agents do well. The best known, publicly, in this field is the vice-president of Ford Motor Company, John S. Bugas, who by his successful relations with Reuther's auto workers union has kept the Ford plant running when his competitors were closed down. No less successful are the men doing a similar job at American Steel & Wire Company, Reynolds Metals Company, Wright Aeronautical Corporation, and National Supply Company, to name just a few among the dozens of others.

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in charge of production at Studebaker Corporation, formerly ran an FBI field office. The production manager of the Mid-Western Die Casting Corporation is a former agent.

## Department Store Positions

Certain businesses more than others, seem to have recognized early the value of these men. Department stores are in this group. We find former agents at Abraham & Straus, Alexander's, Loeser's, Lord & Taylor's, Macy's, and Wanamaker's in New York, and in other stores throughout the country.

Aviation is another industry in which practically every company has several former agents in varying capacities. There is at least one at Boeing, Chance-Voight, Hughes, Lockheed, North American, Pan-American, and United Aircraft.

Advertising, too, is not without its share of former agents. Erwin Wasey; Shappe, Wilkes, Inc.; Ruthrauff & Ryan; Wildrick & Miller; and Young and Rubicam are representatives.

A not unusual example of how these men serve a single company in several capacities is found in General Foods Corporation where one directs training of personnel, another is auditor, a third is a methods and procedures specialist, a fourth is the accounting manager, a fifth directs protection at a major plant, and until recently, a sixth was a purchasing executive.

The Society of Former Special Agents is small in size but potent through the positions which its members occupy in their communities. It was organized over ten years ago to continue the close association the agents had formed in the FBI and to assist each other in making good business connections. Actually the second purpose has proved to be a very minor one since, in respect of jobs, ex-agents are more sought after than seeking.

Some time ago a placement committee was organized and asked that any members desiring new jobs register with it. It soon developed that there were as many requests from business for agents as there were men looking for jobs, so that there has never been a list to choose from.

The personnel manager of a leading bank once asked if the Society had any members in the banking business.

"Yes," was reply. "We have men with big banks like the National City, in the Irving Trust of New York, or in as small as the Medina Valley State Bank at Divine, Tex. In the latter case it's the president, but we have everything from cashiers up to the top."

Not all the agents went into big business or do the conventional jobs we might expect. There are ranchers, engineers, research chemists, coffee buyers, football coaches (University of Iowa), college professors (Baldwin Wallace, Yale, Seton Hall, Wisconsin, and Marquette), newspaper reporters (*St. Louis Post-Dispatch* and *Milwaukee Sentinel*), radio news commentators, hotel managers, and credit men.

#### Cartoonist to Toxicologist

A former agent is the creator of the cartoon character "Don Winslow of the Navy," another writes a daily poem, syndicated through 100 American newspapers and one in Dublin, Ireland. Two are presidents of casket companies, another is a funeral director, and a third is a State toxicologist.

Outside of the United States they are just as ubiquitous. There is one in almost every major Central and South American city and many in Europe and the Far East. In Havana one runs the office of Merrill, Lynch, Pierce, Fenner, & Beane while another handles the affairs of Sears, Roebuck and Company. The manager of Kraft Foods Company in Mexico City was an agent; so is the manager for J. L. Griffith in Nicaragua. One owns a paper factory in Guatemala City, another is Special Assistant to the Ambassador of Brazil in Rio de Janeiro. There are four Society members in Rio de Janeiro; four in Caracas, Venezuela; and five in Honolulu. In Shanghai, Tokyo, Calcutta, or Manila you could find one—doing a job requiring judgment, discretion, and energy.

The directory of the Society of Former Special Agents reads like a register of the leading companies of America. Twenty-two of the leading insurance companies have one or more of its members on their payrolls. For that matter you could begin with Allis-Chalmers Manufacturing Company, Armour and Company, and American Distilling Company, Inc., and go through the alphabet to Warner Bros., West Virginia Pulp & Paper Company,



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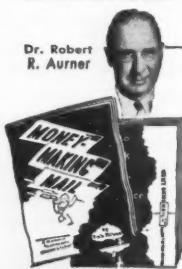
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The Society is organized into 23 chapters located in the principal cities of the United States. Its headquarters is in New York at 70 Pine Street from which it issues a monthly newspaper appropriately called "The Grapevine." In this little sheet appear anecdotes, reminiscences, and recollections of the strange cases on which the agents worked at one time. It carries no advertising but if it did there would be no better medium for reaching the right men for the right job—"The Most Carefully Selected Men in the World."

## DISTRIBUTION

(Continued from page 15)

The economy is dynamic, not static. Consequently, when prices click they stimulate demand which in turn leads to lower costs, higher wages, and dividends. If a product is to hold its market it must either be continuously improved or its price reduced.

Prices must cover not only direct costs but also indirect costs—of better facilities, research, and reserves for the inevitable miscalculations and losses. Frequently the best strategy is to set the price first, then build the best article to sell at that price. Sometimes a lower price does more than increase demand—it opens up a new and hitherto untouched market. A small reduction in price expands the market by leaps and bounds, revealing possibilities of reducing costs by new economies.

The price finally arrived at may prove in practise to be too high or too low. It is too low if it fails to cover the expenses of production and marketing, including reserves for unforeseen contingencies. If these expenses cannot immediately be reduced, and demand or market conditions preclude a higher price, the concern must limp along as best it can until costs can be reduced. An alert management can find more than one way of wriggling out of a difficult situation. It can seek new markets, develop new products, invent new uses for old products. A well equipped



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research staff, though expensive, is an essential adjunct to any expanding business.

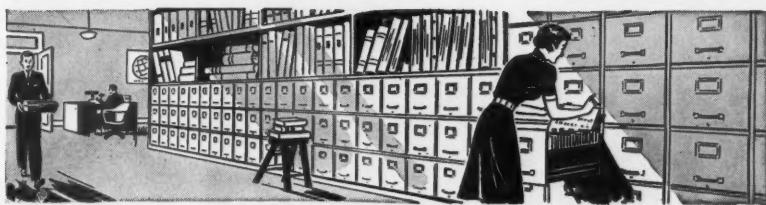
The price is too high when it discourages demand. In this respect articles vary widely. The market for a large class of articles—mainly those of daily consumption which are useful in and of themselves, not just as parts of a larger whole—can be expanded if the price is reduced.

#### What Affects Quantity Demand?

But for another large class of articles demand is determined by other circumstances and strictly limited. Most households need only one central heater, one kitchen stove, and one refrigerator. They would not buy another no matter how low the price. The mileage run by automobiles fixes the demand for tires. New rugs are not purchased until old ones are worn out. Cement is needed in the quantities that can be absorbed by new roads and buildings, of which it constitutes merely a fraction of the total cost.

For such articles total demand is unaffected or only slightly affected by price. Other factors determine the quantity demanded. To maintain orderly marketing, prices must, consequently, be administered. To the Department of Justice and the Federal Trade Commission prices set in this way are iniquitous. Schooled in market-place theory they argue that industry should conform to theory, not theory to industry. They contend that if prices were set as they always have been—according to the laws of supply and demand—they would be lower than administered prices. The Council of Economic Advisers also seems to take for granted that prices would be lower if competition were not interfered with. On the assumption that management restricts expansion they argue that business should be cracked down on in an active anti-trust campaign.

If one searches for facts to support this point of view one will have a hard time finding them. For an industry cannot at one and the same time be broken up into the small units of pure competition and be organized in the large systems based upon continuity of production with administered prices. So the assertion that competitive prices



## What would it cost to replace your essential business records?

Have you ever stopped to consider what a heavy investment in work and money has gone into your business records—the correspondence files, manufacturing and sales records and accounts, customer lists, employee and payroll records, engineering drawings, miscellaneous reports, and all the other vast accumulation of data in daily use in your operations?

Estimate the value represented and you'll have some idea of the expense you'd be put to just to restore the indispensable portions of this information, should it be lost, destroyed, or substantially damaged by fire, flood, explosion, or any other cause.

The possibility of a loss is such a serious risk, and would cost you so much money, that it should be covered by insurance. Ideal for the purpose is the Hartford Valuable Papers Insurance Policy which:

1. Covers business records and all papers\* used in business activities, against loss due to fire, explosion, windstorm, theft, and any other cause (except misplacement or mysterious disappearance, wear and tear, deterioration, vermin, and acts of war).  
\*Currency, stamps, coupons and securities, checks, drafts, notes, or other written evidence of indebtedness or obligation are not covered by the policy.
2. Covers such property in your office, in transit to a place of greater security, and in the more secure location. Papers taken off the premises for business purposes are covered up to 10% of the total insurance carried, subject to a limit of \$5,000.
3. Guarantees that the Hartford will either replace or reproduce lost or damaged records or papers, or pay in cash up to the limits of insurance carried an amount equal to the *actual costs* of making such replacement. (Unless specifically insured for a higher amount, there is a limit of 5% of the total insurance on any one record or paper, subject to a maximum payment of \$5,000.)

Your Hartford agent or your own insurance broker will gladly furnish details of this *low-cost*, broad protection. In over 5000 communities you can secure the name and address of the nearest Hartford agent quickly by calling Western Union by number and asking for "Operator 25." Or write the company for a sample policy.

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Hartford 15, Connecticut

Year in and year out you'll do well with the Hartford



An investment analysis  
that adds up to Savings



Investment protection with "Automatic" Sprinklers knows few limits from an application point of view. Take for example, B. Gertz, Inc., Long Island's largest department store which is shown in the illustrations above. Protected throughout by means of "Automatic" Sprinklers, the factors of true fire safety for thousands of daily customers and nearly two thousand valued employees is the management's primary aim.

But with the safety factor accomplished, let's analyze for a moment the financial considerations involved in this particular case. Insurance coverage on this multi-million dollar valued property is naturally high. Unsprinklered insurance rates would be prohibitive. Yet, based on estimates, "Automatic" Sprinkler protection allows for premium reductions of better than 75%, amortizes the cost of installation in less than 4 years, following which annual savings of approximately \$47,000 are realized.

That's wise investment for Gertz, Inc., and it would be for you. An executive with the slightest appreciation of business economy could hardly overlook the importance of fire safety with "Automatic" Sprinklers, an important investment today . . . perhaps welcome protection tomorrow.

"AUTOMATIC" SPRINKLER CORPORATION OF AMERICA  
YOUNGSTOWN 1, OHIO

**"Automatic" Sprinkler**  
FOR INVESTMENT PROTECTION  
DEVELOPMENT - ENGINEERING MANUFACTURE - INSTALLATION  
OFFICES IN PRINCIPAL CITIES OF NORTH AND SOUTH AMERICA

TYPICAL  
"Automatic" Sprinkler  
PROTECTED PROPERTIES

- Industrial Plants
- Storage - Warehousing
- Mercantiles
- Piers - Wharves
- Aviation Properties
- Hospitals - Institutions
- Hotels - Apartments
- Schools - Colleges
- Offices - Public Buildings

"Automatic" FIRE-FOG  
provides positive protection  
for severe fire hazards

are always lower is at best unproven. And there is some evidence that it falls to the ground.

One must seek out other criteria by which to judge present methods of doing business. Comparisons are not lacking. The soft coal industry, lumber, construction, and the women's garment industries are highly competitive in the accepted sense. They could perhaps be singled out as having poorer than average working conditions as well as instability of investment. Nor have their products been improved materially over the decades. Whatever gains have been made seem to be due to the insistence of powerful trade unions under vigorous leadership rather than to the industry itself. Recent attempts to organize the textile industry into a smooth operation from the spinning of the yarn to the finished goods may point the way to future progress.

#### Administered Prices

The oil, motor, glass, aluminum, and chemical industries, on the other hand, are administered. They are characterized by relatively high wages, security of investment, and continuous improvement of product. They have no choice except to operate under a system of administered prices. The economics of continuous production could not be attained if prices were permitted to float up and down in an impersonal market.

General observation seems to bear this out. The enormous increase in production during the last fifty years was accomplished not by price competition but by research, inventiveness, and organization. Continuity of production is not characteristic of pure competition. In competitive industry the entrepreneur works when he wishes or when he has an order. He either waits for the next order or hustles to get it. Or he may go fishing.

A continuous production line, in contrast, allows no such freedom. Work starts on the stroke of the bell and moves until the bell rings again. Each unit must do its share, each process must synchronize with the others to make the whole. Distribution must be promoted to keep pace with output.

To a considerable degree management decides in what proportion income is distributed among employees, investors, and consumers. Not com-

# SOUTH AFRICA CALLING

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## CAPE TOWN

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**BANE'S CONSOLIDATED MOTORS LTD.** Capital \$2,000,000. Is a Public Company listed on Johannesburg Stock Exchange. Stockists Distributors of American & British Automobiles; Motor Accessories & Parts; Household Appliances; Office Equipment; etc. Head Office, Cape Town. Branches throughout South Africa.

**LLOYDS (SOUTH AFRICA) AGRICULTURAL, IRRIGATION & INDUSTRIAL MACHINERY CORP. LTD.** Capital \$2,000,000. Stock listed Johannesburg Exchange; Associated company of Bane's Consolidated Motors Ltd. Stockists, Distributors of Farm Implements, Windmills, Tractors, Roadmaking Machinery, etc. Wholesale/Retail. Head Office, Cape Town. Branches throughout South Africa.

**DENT & GOODWIN CAPE PTY. LTD.** (B 1446). Customs Clearing & Shipping Agents.

**DE VILLIERS A. I. & CO.** (B 2933). Branch office, Johannesburg. Active agents all large towns in South Africa and established connections throughout Central Africa & adjacent Islands. Direct Importers & Agents: Agricultural Insecticides, Machinery, Implements, Orchard Equipment, Industrial Chemicals, Paints Disinfectants, Stock Dips Remedies & Feeds, Fertilizers, & Packing Material. Seed Potatoes & Apples. Exporters of Seed & Table Potatoes, Onions & all varieties of fruits.

**INTERCOM AGENCIES PTY. LTD.** (B 3448). Manufacturers' Representatives. Branch offices, Johannesburg, Port Elizabeth, Durban. Di-

rect Factory representative exclusive basis. Exporters of S. A. Products. **L. F. RAE & SON.** (B 442). Manufacturers' Representatives. Food-stuffs, builders, household & electrical hardware, tools & chemical. Direct factory representation only required.

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## JOHANNESBURG

**CHARTER ENGINEERING CORPORATION PTY. LTD.** 16/17 Equity Bldg., Fox Street. Heavy diesel & diesel electric power plants & equipment. Mine & mill ore recovery equipment. Connections with mining houses throughout Southern Africa.

**P. W. JENNINGS PTY. LTD.** (B 3543). Also at Cape Town (B 198). Equipped to represent you throughout South Africa as exclusive Manufacturers' Representatives on commission basis. Direct Factory representation only required. We can satisfy you. Are you interested? Then write.

**KENNETH R. MENTZ** (B 7592). Also Cape Town, Durban. Manufacturers' Representatives desirous contacting manufacturers of cotton, rayon textiles, soft furnishings, rugs, carpets, proprietary grocery & confectionery goods, industrial raw materials, sporting goods. References: Wilson Bros., Box 772, Chicago.

**D. J. PARR LTD.** Locarno House. Engineering agents & representatives for hardware, engineering & automotive goods. Factory only.

## DURBAN

**MACQUET & CO.** (B 1086). General Importers & Exporters. Merchants & Representatives covering South Africa.

pletely, of course, for management is subject to many pressures. But within limits it can exercise its judgment tempered by long-run wisdom. How wisely you think management uses its power depends upon who you are. Labor thinks too much goes to stockholders. Customers think prices should be reduced. Stockholders think dividend rates should be raised.

In its discretion over the distribution of income, business management rises to the plane of industrial statesmanship. The benefit of its business as a whole is its primary concern but this depends to some degree upon the health of the entire industry. Managements of all concerns must consider the reaction of employees, customers, and rival producers to their policies. At times management must widen its horizon to take in the impact upon the industry and the national economy.

Obviously, the complex forces circumscribing management cannot be judged by any simple process or yardstick. To appraise its decisions correctly all the circumstances must be taken into account. There is nothing automatic about the decisions of management. The executive of a big corporation is just as much a human being as any one else. His personality colors the entire business. One fights every demand of labor; another forestalls de-

mands by intelligent policies. One raises prices on the plea of higher costs; another reduces prices in what he believes his long-run interest. One tries to reach the widest market possible; another prefers a small and steady group of customers.

### Create a Friendly Atmosphere

Management must always have its ear to the ground for a change in the social and economic atmosphere. Waves of discontent sweep the country. Workers deem the time ripe to strike. The conviction spreads that prices are too high and buyers postpone purchases. Investors come to feel that they are being squeezed and venture capital shrivels.

The difficulties a hostile atmosphere breeds have forced management to take another step in industrial statesmanship—to interest itself in creating a friendly atmosphere. Managements have already gone far along this line and are finding themselves impelled to go farther. They are taking the lead in welfare work, fund raising, and civic movements; they are forming associations to promote the common good as well as protect their own interests. The American Management Association, the National Bureau of Economic Research, and the Committee for Economic Development are notable

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**Case #131 — This large company finished giving its offices a new, modern look, when bingo! . . . a rash of falls started. The trouble: slick floors. The cure: a Legge Safety Engineer shows them . . .**

## How to take the slips out of good business showmanship

**Mr. Higby:** Look what's happening! We wanted good-looking floors, but we got accidents. We want the floors taken out!

**Legge Safety Engineer:** The floors aren't at fault, Mr. Higby. It's that slick finish. They need a polish that's Non-Slip.

**Mr. Higby:** No they don't! I've heard polish makes floors slippery.

**Legge Safety Engineer:** No doubt you have. It's a popular misconception. But your floors need polish to protect them. Besides, dirty-looking, unpolished floors would disfigure your offices. That's why Legge Non-Slip polishes are widely used . . . and recommended by leading casualty insurance companies. They preserve floors and give a good-looking shine. Yet they're up to 95% accident-proof. Give me a week and I'll prove it.

**(A week later) Mr. Higby:** You were right. The floors shine nicely. And the accidents have stopped. How did you do it?

**Legge Safety Engineer:** Two ways. First, applied Legge Non-Slip products. Second, taught your crews the right way to use them. And I'll keep coming back to make sure they follow through.

### Get this trouble-shooter on your side

The Legge Safety engineer in your area serves you as a floor safety consultant. He sets up a complete floor safety program and fits it to your individual requirements. He trains your maintenance crews, supervises them, and takes the floor safety responsibility off your shoulders. His advice is free; his supervision is part of your purchase of Legge Non-Slip floor-care products.

Before your floors trip you up, get the whole Legge System story. Clip the coupon to your letterhead and mail. *Walter G. Legge Company Inc., New York 17, N. Y. Branch offices in principal cities.*



**LEGGE**  
SYSTEM  
*of Non-Slip Floor  
Maintenance*

Walter G. Legge Co. Inc. 101 Park Ave., New York 17, N. Y.	
Please send me a free, no-obligation copy of <i>Mr. Higby Learned About Floor Safety the Hard Way</i> .	
Signed.....	
Title .....	
Type of floor .....	
Area.....	sq. ft. D-A5

examples. These organizations, entirely or largely supported by business concerns, have a broad aim: to attempt to study and spread an understanding of the working of the national economy. Any benefits they return to their supporters are indirect.

The Labor Committee of the Twentieth Century Fund concludes a recent volume, *Partners in Production*, with the recommendation "that the leaders of American industry and labor now jointly direct their attention, through the processes of intelligent self-government, to an agreed statement of economic principles which will afford a basis for a constructive advance in understanding the wage-price-profit relationship in a democratic system of competitive private enterprise."

### Professional Manager

Management has not always thought in terms of public as well as private welfare. Indeed, with the emergence of large corporations between 1880 and 1910 management was synonymous with ownership. It considered itself the representative of the stockholders alone. Gradually, under the natural influence of change and spurred by pressure, a new type of professional manager evolved. To-day, managers are usually hired to do a specific job. Their first objective is to make an organization sound enough to adjust itself to changes and flexible enough to seize and prosecute opportunities.

The good-will of customers, loyal employees, satisfied stockholders is just as vital to them as efficient equipment. All are equally essential for success; none can be neglected. The relation of the professional manager to all the elements of his concern is analogous to that of a trustee but he does not enjoy the trustee's immunity to criticism. His chief limitations are hard facts and the hostility of both the public and labor, engaged by yesterday's excesses.

The overriding handicap under which industry operates to-day is its heritage of this hostile public atmosphere. The occasional imprudence of present managements, though not typical, does much to keep the ancient distrust alive. Nevertheless, despite setbacks, a more favorable atmosphere seems to be emerging.

# Here's what National Steel accomplished in 1948

## *Sales hit an all-time high...*



Our customers' demand for steel continued unabated during 1948, resulting in total sales of \$436,522,051, an increase of 32.7% over the 1947 figure. We directed all our resources—and developed new ones—in an effort to keep pace with requirements, and by so doing, achieved the greatest volume of production in National Steel's history.

## *and operating costs soared, too*



Even record-breaking production and sales could not completely offset the ever-mounting spiral of material, wage and construction costs. Consequently, once again the ratio of net income to sales failed to match prewar standards.

## *Employees earned more money...*



National Steel's 1948 production record bears eloquent testimony to harmonious relations between employees and management throughout the year. This excellent spirit of cooperation resulted not only in more sales, but also in the largest number of employees, their highest average annual earnings, and the greatest total payroll (\$110,709,056) in our history.

## *and so did stockholders*



Our net earnings for 1948 were \$40,121,506, equal to \$16.35 a share on 2,453,900 shares—a substantial increase over 1947. We paid \$5.00 per share in dividends, as compared with \$4.00 in 1947, and distributed a ten per cent stock dividend in December.

## *Construction continued apace...*

Construction completed from 1946 to 1948, plus the current program, will amount to more than \$130,000,000. Among the facil-

ties now under construction are the two largest stationary open hearth furnaces in the industry, and a 400-ton per day plant for oxygen production. New electrolytic facilities will be in operation shortly, and additional iron ore and coal properties are currently being developed. The continued upward trend of construction costs through 1948 compelled us to retain a substantial portion of earnings. The combined effect of these costs and capacity operations necessitated higher depreciation charges.

## *to ensure an abundance of steel in the future*



In view of the steel industry's large-scale expansion, we believe that steel supply will be adequate to meet demand within a short time. At present, the future outlook is uncertain. But thoroughly modern plants and equipment and a highly skilled and experienced organization give us confidence that National Steel will be able to meet future conditions to the best advantage of employees, stockholders, communities in which our plants are located, and the nation at large.

### 1948 AT A GLANCE

	1948	1947
Net Sales .....	\$436,522,051	\$328,957,189
Total Income.....	439,107,387	330,836,584
Materials, services and other expenses.....	230,101,169	175,251,290
Wages and salaries.....	106,973,186*	90,106,223*
Depreciation and depletion.....	21,506,270	12,853,292
Interest and expense on long term debt.....	1,257,143	1,257,143
Total taxes.....	39,148,113	24,529,848
Net earnings.....	40,121,506	26,838,788
Net earnings per share.....	\$16.35	\$12.03

\*In addition to the amount of wages and salaries paid for production in 1948, National Steel paid \$3,735,870 for work on construction, making the actual total payroll \$110,709,056. In 1947, the total payroll was \$95,113,863.

# NATIONAL STEEL CORPORATION

## Owning and Operating

WEIRTON STEEL COMPANY • GREAT LAKES STEEL CORPORATION  
THE HANNA FURNACE CORPORATION • HANNA IRON ORE COMPANY  
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PAPER "X"



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BURROUGHS ADDING MACHINE COMPANY  
DETROIT 32, MICHIGAN



## THE STOCKHOLDER

(Continued from page 18)

vestment by stockholders. True, the directors who determine dividends are chosen by vote of the stockholders, but the average stockholder's resultant control of the situation in practise is notoriously remote.

Beyond all doubt an overwhelming majority of owners of corporate stocks including, certainly, the present writer would deplore governmental intervention such as that inherent in Section 102 of the tax law, for instance. But it should not require extraordinary foresight to find food for thought in the extent of regulation and supervision to which the relatively small proportion of the permanent capital raised by corporations last year from voluntary contributions was subjected.

One explanation of corporate frugality with dividends which has considerable credence is that large stockholders do not want increased dividends only to have them taxed in the confiscatory brackets of the individual income tax. Conceivably there is an element of truth in this, but if the number of all individuals in the country who are stockholders is approximately 5,500,000 as estimated by Federal Reserve authorities, then the all-time high dividends of \$7.8 billion last year were on the average about \$1,400 per individual stockholder.

Again, there can be derived from the Federal Reserve Survey of Consumer Finances an indication that fewer than one-fifth of all persons owning securities of any type, other than obligations of the United States, own more than \$25,000 worth of such securities as valued at early 1948 prices. The *New York Times* of October 26, 1948, reported that no single individual owned as much as 1 per cent of United States Steel stock; nobody owned as much as one-third of 1 per cent of American Telephone & Telegraph, and that one-fourth of General Electric Company's 248,850 stockholders were owners of less than ten shares apiece.

The reports of large corporations show that, as a general thing, the average holding of their shares is very much less than 100 shares per stockholder. These circumstances add up to show

that the average owner of common stock certainly is not an individual likely to be taxed in the very high brackets or unperturbed by the high cost of living.

Contrary to generally accepted nomenclature, undistributed profits do not constitute all the earnings retained in a business. Earnings appropriated for the reserves for depreciation and depletion are now admitted by economists to be "formative of capital," but in the orthodox industrial (though not in the public utility) balance sheet the resultant reserves are deducted from the property accounts as though the corresponding capital had vanished when entered in the books.

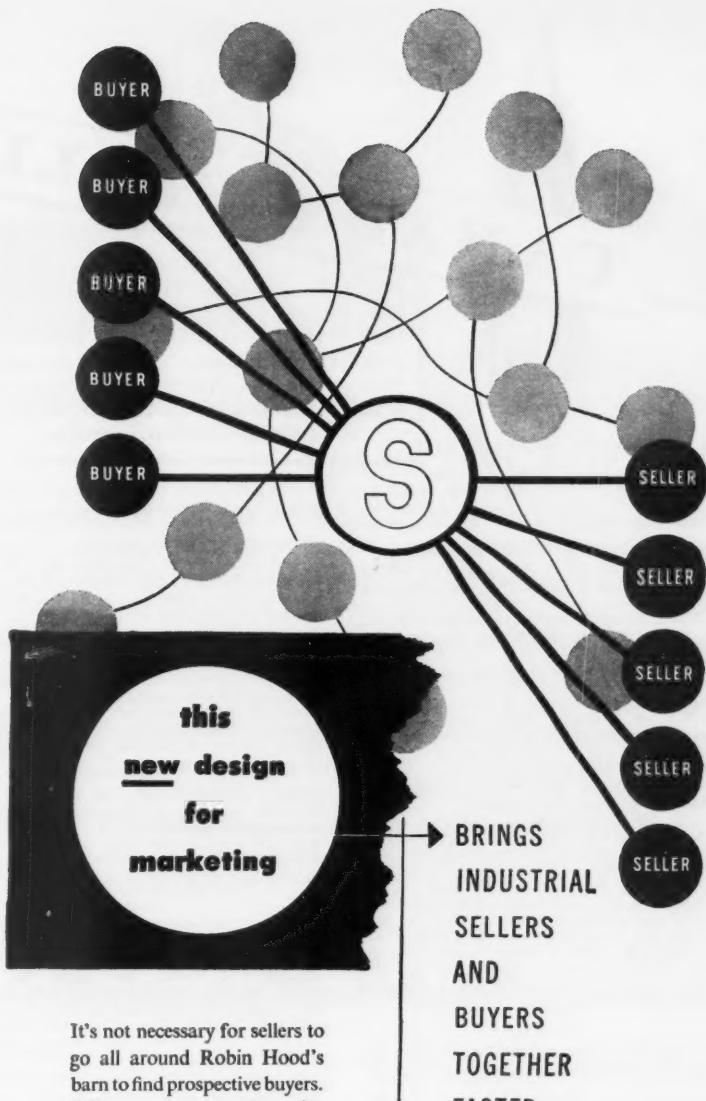
### Reserves Are Insurance

Now the cost of abandoning plant and equipment, and the diminution of the investment utilized therefore, does not occur until abandonment takes place; at which time the cost is absorbed in the reserve for depreciation without affecting the then current computation of profit or loss. Reserves for depreciation are, therefore, insurance provided to compensate for the ultimate retirement of property which becomes, for one reason or another, no longer used or useful.

These reserves are built up from earnings and depleted by actual abandonments, and so long as a balance remains in the reserve account that balance represents earnings retained and employed in the business fully as much as does the undistributed surplus. Similarly, a reserve for depletion is insurance provided to reimburse the enterprise for its investment in natural resources if and when they are exhausted.

Everyone who has had an extended experience in business administration knows the impossibility of accurately predicting how long any of the various items that go to make up a plant account will last, what will happen to necessitate replacements, or when it will happen. Underestimates of useful life are more prevalent than overestimates, and quite prudently so.

Depletion of natural resources is perhaps more predictable, but the contingent nature of its current cost is illustrated by the Department of Commerce's practise of ignoring it in statistics on national income since the off-



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THE INDUSTRIAL VALUATION CO., LTD., Montreal. Industries, Public Utilities, Etc. PI. 5034.

#### **Architects**

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#### **Custom House Brokers, Etc.**

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setting value of new discoveries is not credited to property. Depreciation and depletion are liabilities all right, but liabilities of decidedly contingent characteristics, and all contingent reserves obviously are represented by funds retained in some form among the assets unless and until the contingency eventuates. For instance, when a corporation insures itself against loss by fire, as some do, it possesses and utilizes the insured property as well as the insurance so long as no fire occurs.

Under the concept that these reserves are, so to speak, a positive liability as in public utility accounting, and not a negative asset as in orthodox industrial accounting, they constitute capital contributed by common stock if there are no arrears of interest or of dividends on preferred stock. They should be recognized as a constituent of the equity for common, as an element of its "book value," at the date of the balance sheet, and as part of the investment for which management is responsible.

#### Rate of Return Distorted

Now the point of all this is that far more earnings are retained in business, and dividends on common stock constitute a far less lucrative return on the investment related thereto, than "generally accepted accounting principles" prevalent in industrial activities imply. The investment in the assets that are used to carry on the business is understated and the rate of return produced by earnings or by common dividends seems higher than is the case correspondingly. The distortion is magnified when computing the rate of return earned on the equity for the common stock.

As a case well in point take the third quarter report of General Motors Corporation in 1948. Computations based on the orthodox accounting followed by the corporation indicate that gross income (net plus interest and discount) for the first nine months of 1948 was about 16 per cent of total assets held at the first of the year. When the deducted reserve for depreciation is added back to the assets the rate earned then becomes a trifle over 12 per cent.

The \$317,458,987 reported as the "amount earned on common capital stock" in the period was nearly 25 per cent on the sum of that stock's par value



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and the surplus, generally regarded as book value, at the first of the year. But when reserves for depreciation and obviously contingent liabilities (not including those accrued for the employees' bonus or benefit plans) are recognized as part of the equity for common, the rate earned thereon shrinks to less than 15 per cent. A corresponding adjustment of dividends paid on common in the period reduces an apparent rate of 8.54 per cent to 5.1 per cent.

### Larger Retained Earnings

By taking the increase in gross assets (depreciation reserves not deducted) in the nine months and reducing it by the increase in all liabilities to the public and to the employees we arrive at the amount of earnings retained in the business under the writer's concept. We find this to have been 42 per cent greater than the amount implied by the orthodox accounting, and 2.7 times, instead of 1.9 times, the dividends paid on common. There having been no change in preferred stock during the period, all retained earnings were contributed by the common stock.

Nothing in this article is intended to disparage liberal provisions from earnings in order to prepare for the ultimate, and inevitable, disappearance of an investment in plant and equipment or to question the good faith of corporate executives who interpret literally the "generally accepted principles of accounting" as attested by their auditors. The intention is to ask that corporate management realize how much of the earnings really are being "retained in the business" and just what rate of return is being earned for, as well as paid on, all the investment attributable to common stock.

The present seems a good time for the corporations to question an accounting practise which can incite overstatement of the rate of return earned on the capital required to run their businesses and tends to support charges that profits are excessive.

Contending that "corporations, by and large, are enjoying exorbitant, record-breaking profits with which . . ." they could ". . . grant increased wages without increasing prices" in *The Atlantic Monthly* for July 1948, Philip Murray also said that "business men among themselves most always

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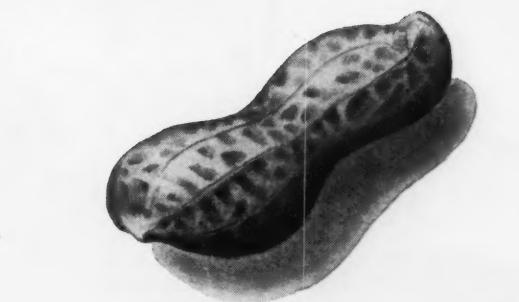


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express profits as a per cent of invested capital . . . " and " . . . only by repudiating traditional profit-measures . . . can the present huge profits be made to appear normal." Mr. Murray is a man of considerable influence, and it would not be amiss if CIO statisticians, as well as the economists in the Federal Reserve System and in the Department of Commerce were disabused of the present notion that the exhausted appropriations for depreciation or depletion constitute "gone value," as it were.

#### Achieving the Impossible

A compilation by the Bureau of Internal Revenue of the assets of all corporations filing balance sheets with their tax returns reports capital assets, less depreciation and depletion in un-stated amounts, as having decreased between 1939 and 1943. In that interval we more than doubled the physical volume of our industrial output, if we can believe the statistics of the Federal Reserve System, and, according to the Department of Labor, employment in manufacturing increased by more than 70 per cent. With all due respect to our industrial technologists, belief in a doubled output and the huge increase in employment all without increase of the investment in the tools of production is impossible.

We are dealing with a situation in which the corporations want more capital, while what probably the majority of stockholders want is a larger share of current corporate income for themselves. A third party of interest is the stockholder who, for one reason or another, is well content to have the greater part of his share of the earnings withheld and reinvested in the business.

On top of this we have a disturbing lack of investor-interest in corporate equities, and much room for doubt whether this is the cause or the effect of restricting dividends to less than half of current profits. Cannot the desires of these three interested parties be mutualized, at least to a considerable extent, by a greater use of stock dividends?

True, in theory a stock dividend conveys no advantage to the recipient for it produces no change in his share in ownership of the corporation. But a corporation of the kind comprehended in this review will have a ready market, at some price, for its stock, and

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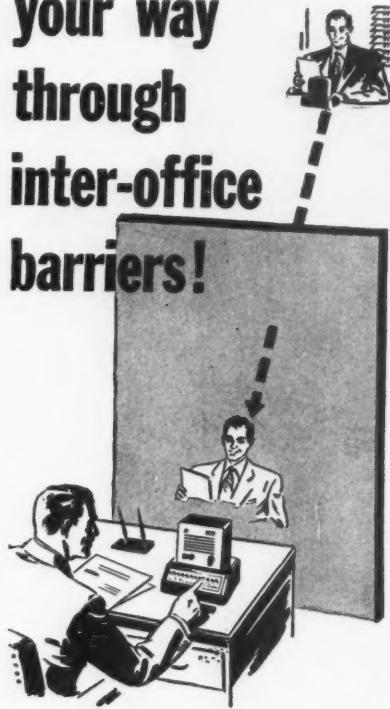
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while sale of his stock dividend will reduce a stockholder's percentage of ownership it should not reduce the amount of the investment represented by his pre-dividend holdings any more than would a cash dividend in like amount.

Given an open market, the recipient of a stock dividend is free to let his earnings accumulate in the business if he so elects or to cash some of them in, as he sees fit. In the latter case he will be taxed on the basis of a capital gain, under ordinary circumstances.

## A Statement of Intentions

Any stock dividend should by all means be accompanied by a full disclosure of the management's intentions and expectations in relation to the retained earnings represented by the dividend. To the best of the writer's knowledge and belief this would be an innovation in corporate practise in this country.

The stockholder should have very much the same information that is required in a prospectus offering a new issue of stock, although some of the voluminous historical matter required in such prospectuses could well be left out. Without such information the stockholder, in most cases, has little upon which to base a decision as to selling or holding his dividend.

Profits not justifiably required for additions or betterments should, of course, be paid out in cash dividends. There would seem to be no good reason why profits that are so required should not be represented by stock dividends. The practically arbitrary retention of the greater part of profits without the direct consent of stockholders at large or any appreciable effort to convince them that the retention is to their advantage is, this writer suspects, a prime reason why common stocks do not command prices commensurate with the all-time high earnings now being reported by most enterprises organized for profit.

Net receipts in pari-mutuel operations are estimated by the Department of Commerce as having been \$238 million in 1947. This is understood to represent betting of about six times that amount. If so, then at least as much was bet on the horses that year as was paid for new issues of corporate com-



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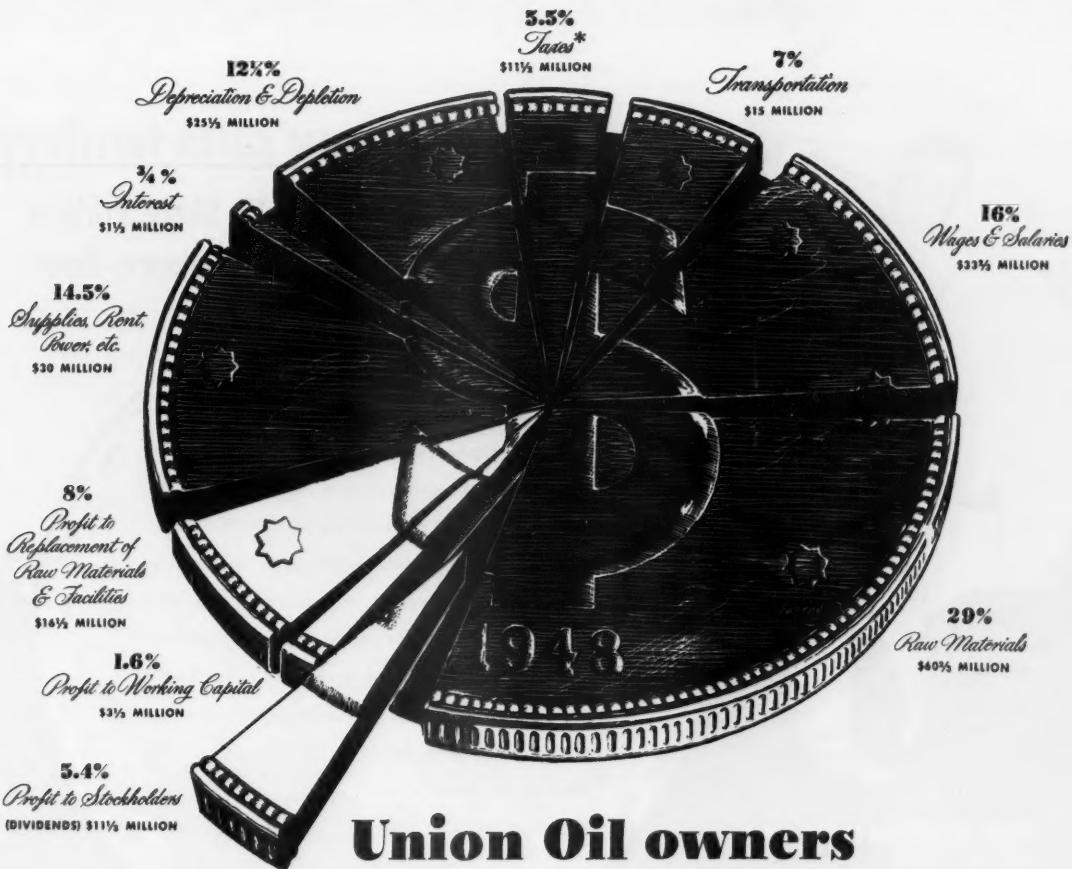
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## Union Oil owners get 5.4% of 1948 sales dollar

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#### BUT HERE'S THE JOKER

53% of these profit dollars had to be plowed right back into high-cost equipment, facilities and oil properties.

Another 11% had to go into working capital.

So the actual "take"—profits that were *drawn out* of the business in the form of dividends to stockholder-owners—came to \$11,320,000. This amounted to a return of only 5.4% on our total sales of \$209,000,000, or 5.6% on the capital invested in the company.

### UNION OIL COMPANY OF CALIFORNIA

Incorporated in California, October 17, 1890

\*Taxes in chart do not include \$35,200,403 which we collected for Federal, State and local authorities from our customers; taxes paid by our suppliers; or personal taxes paid by our stockholders and employees.

#### WHY DID WE HAVE TO PLOW BACK 3/5 OF OUR PROFITS?

**1.** Under the tax laws, a corporation can set sums aside each year to replace equipment and oil properties when they're worn out. (These sums are represented in "Depreciation and Depletion" segment of big chart.) But the sums you're allowed to set aside are based on what these things cost *when you acquired them*—not on what it costs *to replace them today*. Since those depreciation funds aren't adequate to replace equipment and oil properties at today's prices, we have to make up the difference somewhere—or go out of business. That's where one part of the "profit" dollars went—replacement.

**2.** Every housewife knows that it takes more dollars to meet daily expenses today than it used to. A corporation's daily expenses have increased just like the average family's. That's where the other part of our "profit" dollars went—into increased *working capital* required for day-to-day expenditures.



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mon stock issued for other requirements than refunding.

This would seem to indicate that the dearth of "venture capital" may not be so great as supposed. It is doubtful that even the most venturesome speculators could be interested in ventures on which they would not collect more than 40 per cent of such winnings.

### Owners Widely Dispersed

The Federal Reserve Survey previously mentioned indicates that corporate stock is owned in at least one family out of every ten in the country. This confirms Mr. Hal. B. Dewar's statement to the Investment Bankers' Association on December 10 that "Wall Street is not symbolic of our industry. It is Main Street where securities must go if we are to continue in a free economy."

As widespread conglomerations of small investors, large corporations cannot expect that their officers and directors will command the confidence of their constituents which conceivably might prevail in more closely knit organizations. An attitude that "Father knows best" how to dispose of the corporate profits is probably resented more on Main Street than it is on Wall Street.

The sophisticated investor knows

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(Gips Handel- en Bellingsmij N. V.)  
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shipping and wood-preserving  
tar distilling and tar-products  
general merchants

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AUTHORIZED FOREIGN EXCHANGE BANK

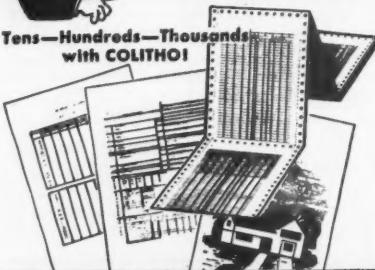
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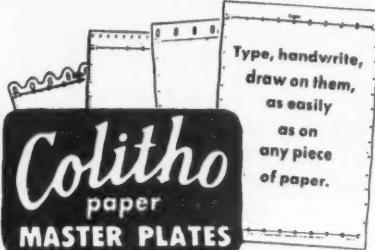
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that when business is poor dividends must be reduced and that the basic appeal in common stock lies in consistent increases in dividends when business is good. Given full information about the reasons for, and anticipated results from expanding a corporation's capital, a stockholder may be well satisfied to have a substantial part of his share of profits reinvested in the business but, naturally, he would like an option in the matter. This is something he does not now have; all he knows as a certainty is that the increase in income from corporate dividends is lagging way behind the reported increases in corporate profits and in the other elements of the national income.

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## Guaranty Trust Company of New York

140 Broadway

Fifth Ave. at 44th St. Madison Ave. at 60th St. Rockefeller Plaza at 50th St.

LONDON • PARIS • BRUSSELS

### Condensed Statement of Condition, March 31, 1949

#### RESOURCES

Cash on Hand, in Federal Reserve Bank, and Due from Banks and Bankers	\$ 697,335,740.28
U. S. Government Obligations	920,757,578.35
Loans and Bills Purchased	1,012,290,013.76
Public Securities	85,669,472.40
Stock of Federal Reserve Bank	9,000,000.00
Other Securities and Obligations	8,603,449.38
Credits Granted on Acceptances	10,373,456.80
Accrued Interest and Accounts Receivable	6,810,077.26
Real Estate Bonds and Mortgages	2,364,525.12
	<b>122,820,980.96</b>
Bank Premises	4,749,272.78
Other Real Estate	36,633.05
Total Resources	<b>\$2,757,990,219.18</b>

#### LIABILITIES

Capital	\$ 100,000,000.00
Surplus Fund	200,000,000.00
Undivided Profits	69,303,268.16
Total Capital Funds	<b>\$ 369,303,268.16</b>
Deposits	\$ 2,267,890,884.65
Treasurer's Checks Outstanding	41,649,391.54
Total Deposits	2,309,540,276.19
Acceptances	\$ 15,414,998.67
Less: Own Acceptances Held for Investment	4,232,004.99
	\$ 11,182,993.68
Dividend Payable April 1, 1949	3,000,000.00
Items in Transit with Foreign Branches	707,019.45
Accounts Payable, Reserve for Expenses, Taxes, etc.	64,256,661.70
	<b>79,146,674.83</b>
Total Liabilities	<b>\$2,757,990,219.18</b>

Securities carried at \$132,668,672.88 in the above Statement are pledged to qualify for fiduciary powers, to secure public moneys as required by law, and for other purposes.

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#### WILLIAM L. KLEITZ

President

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INCORPORATED 1855

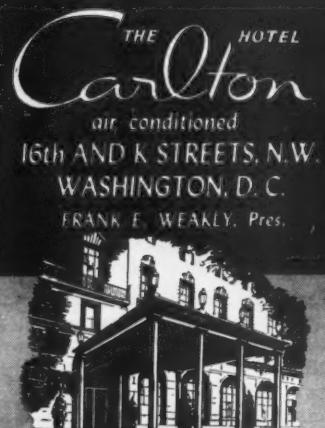
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TORONTO, CANADA

(COR. KING AND BAY STREETS)

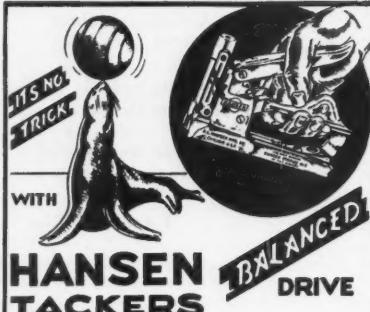
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DUN'S REVIEW REACHES THE PRESIDENTS AND TOP EXECUTIVES OF 40,858 MANUFACTURERS.

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